



PHD

**Strategic Management of Offshore Branch Campuses in Transnational Higher Education
Global Synergy Versus Local Responsiveness**

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Strategic management of offshore branch campuses in transnational higher education: global synergy versus local responsiveness

Submitted by

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For the degree of Doctor of Philosophy
University of Bath
School of Management

October 2012

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Abstract

This research is at the intersection of strategic management, international business and internationalisation of higher education institutions (HEIs). It focuses on the managerial aspects of higher education institutions with offshore branch campuses. In the past couple of decades the number of offshore branch campuses established by HEIs - mainly universities - has increased dramatically, but most research carried out to date in this field has been anecdotal and the number of theoretical studies in this area is very limited. Thus, the aim of this research is to breach this gap by developing a theoretical framework that is capable of explaining the managerial aspects of foreign branch campus operations. The key research question in this study is how transnational higher education institutions (TNHEIs) strategically manage their offshore branch campuses. In order to address this question, the literature on TNHEIs with regard to managerial complexities is reviewed. By assimilating and reconceptualising this literature, a multidimensional framework is constructed, which encapsulates the most pertinent ramifications of managing an offshore branch campus. The framework has been constructed by drawing on a widely used paradigm in the international business discipline, known as the dichotomy of global integration versus local responsiveness (I-R dichotomy). It helps to portray the TNHEIs' strategic positions and positional change strategies on three dimensions of curriculum, research activities and staffing.

The research, however, goes beyond identifying the positional strategies on the mentioned dimensions, which are undertaken by TNHEIs, by eliciting the internal and external factors that influence the strategic stance of an international branch campus on the I-R dichotomy. To this end, the literature of Multinational Enterprises (MNEs) focusing on subsidiary evolution is reviewed. Given that the majority of existing theories for MNEs are nesting on for-profit (mainly manufacturing) industries, whilst HEIs are hybrid organisations (partly for-profit, partly nonprofit), there is no appropriate MNE model that fits with this context. Therefore, by juxtaposing and re-synthesizing a variety of elements from the literature, a new model, named the aggregated LIL, is developed. The model identifies subsidiary's stance on the I-R trade-off as a function of two types of legitimacy imperatives, entrepreneurial response to the market initiatives and MNE network optimisation. Moreover, the

model simultaneously captures the economic and social imperatives (given HEI's hybrid nature), which impact the subsidiary's stance on the global integration-local adaptation continuum and hence, is suitable for analysing strategic change in the context of TNHE.

Based on the constructed theoretical model and the multidimensional framework, a conceptual research model is built. Considering the explorative and explanatory nature of this research, in the empirical part of this study, the qualitative comparative analysis is employed to test this model. Following the guidelines of the adopted methodology, six cases were selected with the purpose of allowing investigation of causal relationships between the input factors (independent variables) and the output factors (dependent variables) that are identified in the conceptual model. Amongst the selected British and Australian international branch campuses, three cases are located in Malaysia and the other three in Singapore. The data set is collected from several in-person and telephone interviews that were conducted with the senior managers of the selected branch campuses who are – in research technical terms – known as corporate elites, as well as from a wide range of secondary sources such as business intelligence reports, governmental policy documents, the universities' websites and some related articles. Therefore, documentary analysis has also been performed to both complement and validate the primary data set. The findings, firstly, confirm the construct validity, suitability and applicability of the constructed model. Secondly, a number of insightful implications are yielded, which can be useful for managers of TNHEIs.

The contribution of this research is twofold. On the one hand it contributes to the field of TNHE by developing a middle-range theory and providing some practical implications. On the other hand, it contributes to the fields of strategic management and international business by highlighting and demonstrating the weaknesses of current theories to explain the change dynamics in hybrid contexts. Accordingly, the research suggests that field-propriety models are a necessity to come to terms with the idiosyncrasies of different industries.

Table of Contents

CHAPTER 1	I
1.1. Study background	1
1.2. Research context and structure	4
1.3. Research problem statement	9
1.4. Research purpose.....	10
1.5. Research objectives.....	11
CHAPTER 2	12
Introduction to chapter.....	13
2.1. Part one	15
2.1.1. Internationalisation of higher education.....	15
2.1.2. Key drivers of cross-border higher education	18
2.1.3. Markets in higher education (an economic perspective)	21
2.1.3.1. Global, national and local dimensions	26
2.1.3.2. Positioning in the competitive HE market	27
2.2. Part two	33
2.2.1. Transnational higher education	33
2.2.1.1. Managerial challenges	35
2.2.1.1.1. Curriculum and staffing	36
2.2.1.1.2. Cultural-societal distance	39
2.2.1.1.3. Regulatory distance	41
2.2.1.2. Synopsis and discussion.....	42
2.2.1.3. The I-R paradigm in the strategic management literature	44
2.2.1.4. The I-R paradigm in the context of TNHE	49
2.2.1.5. Re-conceptualisation	50
2.2.1.6. Chapter summary and conclusion	54
CHAPTER 3	56
Introduction to chapter.....	57
Part 3.1. Multinational enterprises.....	58
3.1.1. Legitimacy-related Complexities in MNEs	60
3.1.1.1. Complexity in the institutional environment	61
3.1.1.2. Complexity in organisations	63
3.1.1.2.1. Institutional Duality.....	63
3.1.1.2.1.1. Environmental pressures	68
3.1.1.2.1.2. Relational pressure	69
3.1.1.2.1.2.1. Parent-subsidiary link through institutional lens	69
3.1.1.2.1.2.2. Parent-subsidiary link through the resource-based view lens	73
3.1.1.2.1.2.3. Parent-subsidiary link through a mixed model lens aimed at sustainable competitive advantage	74

3.1.1.3. Complexity in the process of legitimation.....	75
3.1.1.3.1. Liability of foreignness.....	76
3.1.2. Subsidiary entrepreneurship and competitive advantage	82
3.1.2.1. Subsidiary initiative process	85
3.1.2.2. Entrepreneurship resistance (corporate immune system).....	89
3.1.2.3. Mechanism of initiative taking by subsidiaries.....	91
3.1.3. Strategy syntheses.....	97
3.1.3.1. Market adaptation Vs. resource leverage	97
3.1.3.1.1. Competitive advantage.....	98
3.1.3.1.2. Nonconformity challenge	99
3.1.3.1.3. The view of the paradox	100
3.1.3.1.4. Perspectives on the paradox	101
3.1.3.1.4.1. Outside-in perspective	101
3.1.3.1.4.2. Inside-out perspective	102
3.1.3.2. Sustainability	103
3.1.3.3. Defining the paradox in the MNE context	105
3.1.3.4. Further discussion on subsidiary strategy vs headquarter's control	106
3.1.3.5. Resource dependence vs. dynamic capabilities	110
Part 3.2. Characteristics of HEIs.....	111
3.2.1. The hybrid structure of HEIs.....	112
3.2.2. HE as a service	118
3.2.3. HE as a knowledge-intensive professional service	120
Part 3.3. New theoretical model	122
3.3.1. Towards a theoretical model (the aggregated LIL).....	122
3.3.1.1. Summary of MNE theories and discussion	122
3.3.1.2. Aggregated LIL model	125
3.3.2. Limitations of the theoretical model.....	138
CHAPTER 4	140
Introduction to chapter.....	141
4.1. Epistemology and ontology	142
4.2. Methodology, research strategy and design	145
4.3. Conjoining the aggregated LIL model with TNHE context.....	150
4.4. Model match.....	150
4.4.1. Economic perspective	151
4.4.1.1. OLI paradigm in the context of TNHE	152
4.4.1.1.1. O advantage (firm specific advantage) for TNHEIs	153
4.4.1.1.2. L advantage (country specific advantage) for TNHEIs.....	153
4.4.1.1.3. I advantage (internalising advantage) for TNHEIs.....	154
4.4.1.2. Deficiencies of the OLI paradigm	154
4.4.2. Why use the aggregated LIL?	155
4.5. Operationalisation of the aggregated LIL in the TNHE context	157
4.6. Research conceptual model.....	166
4.7. Operational research questions.....	170

4.8. Data collection and analysis	171
4.8.1. First phase	173
4.8.2. Second phase	177
4.9. Ethical considerations	181
CHAPTER 5	182
Introduction to chapter.....	183
5.1. Overview of the HE governance in Singapore and Malaysia.....	187
5.2. Institutional profiles of Singapore and Malaysia (L (ext))	191
5.2.1. Regulative pillars of the host countries (R (h))	191
5.2.1.1. Discussion and analysis on R (h)	198
5.2.2. Normative pillars of the host countries (N (h))	200
5.2.2.1. Discussion and analysis on N (h).....	202
5.2.3. Cultural-cognitive pillars of the host countries (C (h))	203
5.2.3.1. Discussion and analysis on C (h)	206
5.2.4. Overlaps of the institutional pillars	207
5.2.5. The impacts of L (ext) on curriculum, staffing and research	208
5.3. The internal legitimacy force (L (int)).....	209
5.3.1. Discussion and analysis on L (int)	223
5.3.1.1. Teaching.....	223
5.3.1.2. Staffing.....	225
5.3.1.3. Research	227
5.3.2. The impacts of L (int) on curriculum, staffing and research.....	228
5.3.2.1. Other findings	229
5.4. Market Initiatives (I).....	231
5.4.1. Overview of the market competition	231
5.4.2. Market segments.....	234
5.4.3. Regional market initiatives	236
5.4.4. Local market initiatives.....	236
5.4.5. Network optimisation	237
5.4.6. Market preference	238
5.4.7. Discussion and analysis on (I)	239
5.4.8. The impacts of market initiatives on the curriculum, staffing and research.....	241
5.4.8.1. The impacts of (I) on curriculum.....	241
5.4.8.2. The impacts of (I) on staffing	244
5.4.8.3. The impacts of (I) on research	247
5.5. Summary and outcomes of comparative analysis	247
CHAPTER 6	259
Introduction to chapter.....	260
6.1. Summary.....	260
6.2. Contributions and concluding remarks	262
6.3. Research limitations and outlook	268
6.3.1. Theoretical limitations.....	268
6.3.2. Empirical limitations	269

6.3.3. The future of TNHEIs	270
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List of figures

Figure 1-1- Map of chapters.....	8
Figure 2-1- Clark's triangle of coordination.....	24
Figure 2-2- Integration-localisation typology	48
Figure 2-3- Integration- responsibility typology.....	48
Figure 2-4- The I-R dichotomy for three areas: research, staffing and curriculum	52
Figure 3-1- Institutional duality on two axes	65
Figure 3-2- Variation in structure of process across the subsidiaries of an MNE	65
Figure 3-3- Local and global market initiatives	83
Figure 3-4- Types of initiatives.....	88
Figure 3-5- The synthetic framework of internalising initiatives and diffusing FSAs	93
Figure 3-6- Porter's generic model.....	99
Figure 3-7- Strategy - structure- performance framework.....	108
Figure 3-8- Corporate strategies based on resource flow.....	108
Figure 3-9- Types of subsidiaries based on resource transitions	109
Figure 3-10- Market competition Vs. national and international institutions	124
Figure 3-11- The aggregated LIL model.....	127
Figure 3-12- The aggregated LIL bare bone model	135
Figure 4-1- QCA and the funnel of complexity	147
Figure 4-2- Research orientation diagram.....	149
Figure 4-3- Relationship between the aggregated LIL, subsidiary's strategic choice and the outcomes of this choice	167
Figure 4-4- Research conceptual model.....	169
Figure 4-5- Data collection matrix guide	171
Figure 5-1- Coded data nodes	184
Figure 5-2- Model 1- Archetype 1- Unicore structure	230
Figure 5-3- Model 1- Archetype 2- Multicore structure	230
Figure 5-4- Model 2- Outlet structure.....	231
Figure 6-1- The impacts of social and economic capitals on sub-unit stance on the I-R paradigm.....	264

List of tables

Table 2–1- Segmentation of competition in the national HE system.....	31
Table 2–2- Segmentation of global competition system.....	32
Table 2–3- Classification of HE competition system.....	32
Table 3–1- Type of adoption of practices by subsidiaries	70
Table 3–2- Summary of Kostova and Roth's (2002) implications	71
Table 3–3- Resource capital and institutional capital as complementary sources of competitive advantage.....	75
Table 3–4- Subsidiary strategy typologies	107
Table 3–5- Theories used in the aggregated LIL and bare bone models	137
Table 4–1- Contextualisation of the aggregated LIL in TNHE	166
Table 5–1- Comparative scores of KEI and its indicators for Singapore and Malaysia	187
Table 5–2- Comparison of the governance models in Singapore and Malaysia	189
Table 5–3- The participants, the institutions and the designated codes	190
Table 5–4- Consideration of local qualification before deciding on TNE	242
Table 5–5- Preferred choice of study for those who did not choose TNE	242
Table 5–6- Students' preference on origin of lecturers	244
Table 5–7- The level of students' satisfaction with local and home lecturers.....	245
Table 5–8- Summary of findings per case	250
Table 5–9- Summary of findings on the impacts of the independent variables on the dependent variables for TNHEIs operating in Singapore	252
Table 5–10- Summary of findings on the impacts of the independent variables on the dependent variables for TNHEIs operating in Malaysia	253
Table 5–11- Summary of vision/mission and organisational values of the six cases	257

Chapter 1

Introduction

CHAPTER ONE

1.1. Study background

The Australian University of New South Wales closed down its Singapore campus in 2007 after only four months operation. The reason for this closure was discovered to be overestimating the demand and the small number of enrolments. In the same year, The Central Queensland University closed its offshore campus in Fiji due to the decline in international students' enrolments and Dublin business school withdrew from Malaysia. In fact, the year 2007 turned out to be somewhat of a nightmare for the higher education institutions with international branch campuses, but similar cases had been witnessed earlier and others also took place after that year. For example, RMIT in Malaysia in 1999, Bond University in South Africa in 2004, the University of Southern Queensland in the UAE in 2005 and the most recent case, George Mason University's branch campus in the UAE in 2009 and Carnegie Mellon University in Greece in 2010 all failed to continue their operations. There are various reasons for these failures, such as selecting an inappropriate local partner, problems with the regulations of the host government and poor enrolment, etc.

Despite the failures, branch campus establishment has significantly grown in the past decade. The Observatory on Borderless Higher Education in 2009 reports that at least 49 international branch campuses have been established since 2006. By March 2013 there are some 175 international branch campuses identified around the world (C-BERT, 2013). A picture appears that reveals the intention of many higher education institutions (HEIs) to stretch out to the far-flung corners of the world. However, the same picture discloses that establishing a foreign branch campus is associated with a large amount of difficulties (see for example McBurnie and Ziguras, 2007; Becker, 2009; Sidhu, 2009). Some of these hardships arise from the geographical distance between the home and the host countries, whilst others are due to cultural differences, regulatory barriers, etc. The dramatic increase in the offshore provision of HE has been stimulated by the phenomenon of globalisation, mainly the globalisation of economies. In this regard, HEIs are considered as service providers that like many

others can benefit from the opportunities outside their domestic markets. Further, based on the philosophy of neo-liberalism and running on a free market economy infrastructure, the market competition for HEIs has become more and more intense (Moutsios, 2008; Sidhu, 2007). However, HEIs are historically known as nonprofit organisations and this reorientation raises many challenges for those intending to engage with it (Weisbrod, 2008).

In fact, although a variety of reasons for international expansion of HEIs and more specifically, international branch campus establishment have been put forward, such as increasing the brand visibility and enriching the research profile, financial profitability seems to be a key issue. This does not mean that HEIs necessarily establish overseas branch campuses as a cash cow providing money spillover to their main campuses, but rather, they are more likely to be seeking long-term profits through prestige and reputation (van Vught, 2008), which can be gained from having international branch campuses, as well as being able to benefit from brain drain (see Lien, 2008). However, the undeniable fact is that these overseas ventures require large investments, especially in relation to branch campus establishment that involves bricks and mortar, which makes them even more risky endeavours. Even if not very profitable, a foreign branch campus must be financially viable and at least meet the break-even point. This delineates the importance of choosing the right target markets for the multinational HEIs.

Putting the market issues aside, a foreign branch campus requires legitimacy to operate in the host country and therefore, it is expected to conform to the host country's regulations, norms and cultural peculiarities. These external mandates are exerted on the branch campus by different stakeholders including the host government, local staff, etc. In this regard, the host country's circumstances are often to some extent different from the home country of a transnational HEI and thus it is faced with a duality in its operations. On the one side, the branch campus needs to evolve towards a degree of local adaptation and on the other, it has to stay loyal to the headquarters by maintaining organisational identity. If taken to the extreme, the branch campus either would be mirroring the main campus or completely emancipated from the network, thereby resembling local HEIs. The HEI must strategically resolve this tensional duality to maintain both internal and external

legitimacies. However, this is the minimum requirement to stay in the game, for in order to bolster up the institution's performance and stand out in the global competition, a TNHEI needs to respond strategically to market initiatives so as to ultimately be successful in both the local and global market places. Therefore, central to the debate are the stances of international branch campuses on the I-R dichotomy and the determinants of these stances. Putting it differently, it is to be investigated whether the offshore branch campus should resemble the mother campus (headquarters) or adapt to the local circumstances of the host country; and which factors determine taking these stances on the standardisation-adaptation continuum. In order to elicit the positional stance of a branch campus on the I-R dichotomy, it is essential to be specific about the attributes of this stance. The review of the literature on the managerial complexities of TNHEIs in the second chapter will demonstrate that there are three key themes around which the strategic stance of international branch campuses on the I-R dichotomy takes shape. These themes are curriculum, research activities and staffing policies (see chapter two for the full discussion). Accordingly, a multi-dimensional analytical framework will be built, which is argued to be able to portray the stance of an international branch campus on the I-R dichotomy on the three key dimensions of curriculum, research and staffing. Therefore, the first research question to be addressed is:

RQ1- How do international branch campuses undertake local adaptation strategies regarding their curriculum, research activities and staffing policies?

The next step is to identify the factors, which cause an international branch campus to take a particular stance on the I-R continuum. Therefore the second research question is:

RQ2- Which factors determine an international branch campus' stance on the I-R dichotomy?

Addressing this question requires delving into the literature of multinational enterprises (MNEs) and looking for the determinants of subsidiary's positioning on the I-R paradigm. This will be investigated in chapter 3. However, it will be demonstrated that the majority of MNE models have been developed for for-profit industries and sectors. Also there are only few works addressing multinational

nonprofits, but there is no theoretical model, sufficiently fine-grained to analyse transnational hybrid organisations such as TNHEIs that mix the elements of for-profit and nonprofit organisations. Therefore, a new model will be developed to encapsulate both the for-profit and nonprofit sides of such organisations simultaneously. This model will have the capacity to serve as an analytical tool to study hybrid multinational organisations in general; however since the focus of this research is on TNHEIs, the elements of this theoretical model will be translated in that context. These elements include two types of legitimacy imperatives (internal and external) and the subsidiary entrepreneurship (see chapter 3 for full discussion). The research will subsequently investigate the impacts of each of the identified factors (in RQ2) on the stances of the branch campuses on the I-R dichotomy with respect to the three identified dimensions (in RQ1). Therefore, the third research question is:

RQ3- How do the internal and the external legitimacy imperatives and the subsidiary entrepreneurship influence the stance of an international branch campus on the three identified dimensions of the I-R dichotomy?

The purpose of raising this question is to empirically test the alignment between the elements of the theoretical model that is built based on the literature of MNEs and the elements of the multidimensional framework that emerged from reviewing the literature of TNHEIs. Therefore in chapter 4, a conceptual model will be constructed in which the two types of legitimacy imperatives and the subsidiary entrepreneurship (derived from the findings for RQ2) will constitute the independent variables and the stance of the branch campuses on the three dimensions of curriculum, research and staffing (on the I-R paradigm) will constitute the dependent variables (representing the outcomes of the branch campus's strategic choice).

1.2. Research context and structure

Given that this research resides in different bodies of literature, the outline of this thesis has been designed to systematically and step by step move towards building the analytical framework, which demonstrates the dimensions of branch campus' stance on the I-R paradigm (Bartlett and Ghoshal, 2002; Jarillo and Martinez, 1990; Taggart,

1998) and the theoretical model, which determines the factors that affect a branch campus' stance on the I-R paradigm and finally testing them with empirical data. Therefore, the second chapter is dedicated to probing into the literature of transnational higher education (TNHE). However, in order to set the scene, the chapter starts with a discussion on broader themes such as internationalisation and globalisation of HEIs. In this part of the chapter, concepts such as the market mechanism in HE, the role of the state and the reputational arms race of universities will be discussed prior to zooming in on transnational HE. In the second part of the chapter, the literature on TNHEIs with regard to the managerial complexities is reviewed. Having assimilated the extant literature, it will emerge that it is mostly anecdotal and relatively weak in terms of the theoretical aspects as the ACE report (2008) declares: “[t]he research literature on branch campuses is sparse, while journalistic accounts probably constitute the best source of potential models” (Green *et al.*, 2008a, p 11). Moreover, it will be demonstrated that the current strands of this literature are highly diverse and somewhat piecemeal, consequently not addressing the issues coherently and consistently. Therefore, after highlighting this fragmentation of the previous scholarship a paradigm from the strategic management literature, known as the dichotomy of global integration (I) versus local responsiveness (R) is adopted. This paradigm leads to the construction of a multidimensional framework that proposes a perceptive insight into the field of interest by reframing, reconceptualising, and synthesising the managerial complexities from a strategic perspective.

Further, in order to better understand the strategic choice of offshore branch campuses regarding their stance on the I-R paradigm, the influential factors to which these institutions respond and the mechanism through which this strategic response takes place need to be identified. Therefore, in the third chapter, the literature on multinational enterprises (MNEs) is also reviewed. More specifically, the purpose of this review is to elicit which factors affect the strategic stance of subsidiaries of MNEs on the I-R trade-off. Thus, the impacts of these factors on the stance of offshore branch campuses on the I-R paradigm can be tested in the context of TNHE. Because the MNE models are mostly built for for-profit organisations, they fall short in capturing the nonprofit side of hybrid organisation like HEIs. Therefore, in the remainder of the third chapter the public-private nature of HEIs will be discussed with

reference to the history of field transformation (from fully nonprofit sector to semi-commercialised) and sociology of HE. Furthermore, the characteristics of knowledge-intensive service organisation in the context of HEIs will be addressed. Then, considering the specific set of characteristics for HEIs, a field proprietary model will be constructed. In this model, which is named the aggregated LIL model, two schools of thought, namely the resource-based view (RBV) and institutional theory have been conjoined. That is, the concept of institutional duality (Kostova and Roth, 2002) is combined with the concept of subsidiary entrepreneurship (Birkinshaw, 1997, 1998), which is based on the RBV. It is argued that the components of the institutional duality (internal and external legitimacies) are capable of addressing the determinants of the collective aspect of a social public good such as HE (the realised publicness of the TNHEIs), while the subsidiary entrepreneurship better addresses the imperatives of the subsidiary to harness the internal and the external business-like initiatives, hence capturing the private side. In order to combine the RBV and institutional theory, the process model of firm heterogeneity, developed by Oliver (1997) and the model of strategic balance, developed by Deephouse (1999) are utilised. Reference is made to Greenwood and Miller (2010) who argue that neither of the theories such as institutional theory or the RBV per se is capable of studying complex organisations and suggests usage of multiple theories. Therefore, it is argued that the aggregated LIL model is in line with this argumentation and hence a more appropriate model for studying TNHEIs. The findings of this chapter (the developed theoretical model) address the second research question (RQ2).

The next step is to construct a research model that helps assessing the impacts of the factors (identified in chapter 3) on the positional stances of branch campuses on the three dimensions of the I-R dichotomy (identified in chapter 2). This model is built in chapter 4. Moreover, the epistemological and ontological perspectives of this research are discussed, followed by the explanation and justification for the methodology and research design employed. Subsequently, in the same chapter the elements of the aggregated LIL model are translated in the context of transnational higher education.

Chapter 5 includes presentation and analysis of the empirical data. These data have been collected from interviews with top managers of six international branch campuses and also from secondary sources (e.g. the British council reports and the

universities' websites) and coded with NVIVO. The selected cases include three branch campuses in Malaysia and three in Singapore. Their headquarters are in Britain and Australia. The purpose of performing a qualitative comparative analysis is to test the validity of the research model's elements in the TNHE context and its analytical utility. The operationalisation has been made at the subsidiary level and the findings are subject to both theoretical and empirical limitations, which have been discussed in the succeeding chapter.

Chapter 6 summarises the overall research process and responds to the research questions in light of the findings. This chapter also includes discussion on the limitations of this research and possible future directions for research in this field. The diagram below illustrates the steps taken in this research journey.

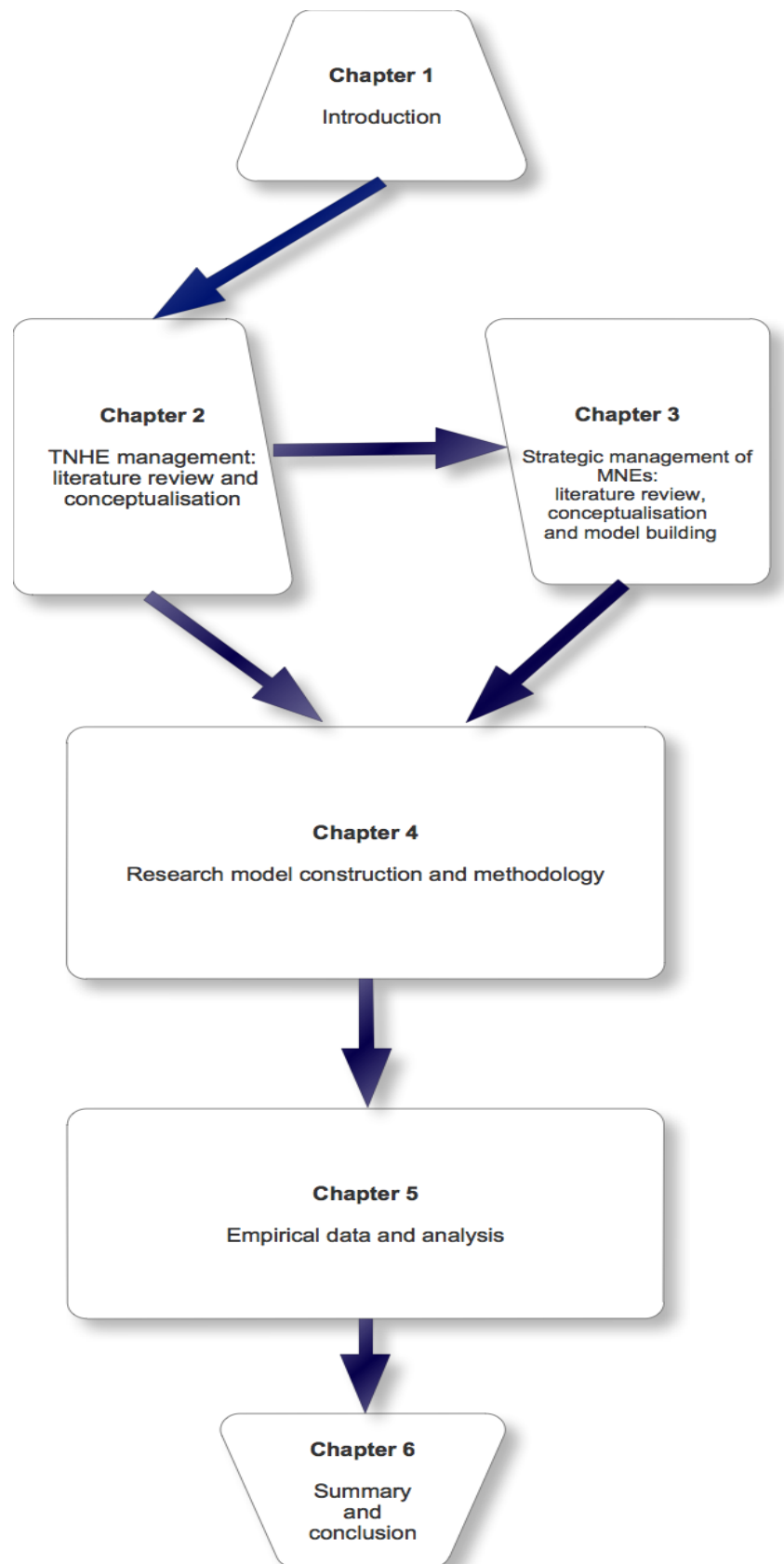


Figure 1-1- Map of chapters

1.3. Research problem statement

The above description of the structure of this research and the highlighted research questions provide an introduction to this thesis. However, in order to draw a clearer picture of the research problem in advance, it is important to briefly discuss the knowledge gap that this research is intending to fill.

As explained earlier, establishing an international branch campus is a relatively new phenomenon compared to the long trajectory of HEIs and therefore the number of studies in this area is very small. Especially with regard to the organisational strategies that are undertaken by these institutions, the literature seems to be poor. Except from a number of reports by the OBHE and some journal articles that have looked at this issue from a very narrow scope, there is no robust theoretical development and no analytical framework that brings the strategic management of international branch campuses under the spotlight. The long list of managerial complexities that TNHEIs have encountered, which is gathered by scholars in an anecdotal fashion is by no means sufficient to provide an analytical tool for addressing the strategic choice of those institutions. In other words, we know much about the problems of establishing and managing an international branch campus, but what we do not know is around which key elements the main strategies of TNHEIs take shape. Therefore, the first knowledge gap is the lack of an analytical framework, which provides a tool to explain the strategies adopted by TNHEIs. The task of filling this gap is accomplished in the second chapter; however, another gap appears, which is our lack of knowledge about the determinants of the choice of TNHEIs of undertaking a particular strategy. It is quite obvious that these two gaps are interrelated; however the second gap leads us to the literature of MNEs where we realise that there is no theoretical model that is applicable to the context of TNHEIs for those theories are built for for-profit organisations, while TNHEIs are hybrid organisations (both for-profit and nonprofit). Therefore, the mission in the third chapter is to construct a new model that can address the determinants of strategic choice of subsidiaries in hybrid organisations, particularly TNHEIs. Having filled this gap in the third chapter, the next knowledge gap is that we do not know how (to what extent and through what mechanism) the identified determinants influence the key strategic factors that shape the choice of TNHEIs. Therefore, a conceptual model is built to address this question.

In sum, looking at the three knowledge gaps that are identified, the main research problem is the lack of theories and analytical models for studying the strategies of TNHEIs in regard to managing their international branch campuses.

1.4. Research purpose

Considering the lack of theoretical developments and appropriately fine-grained analytical models, the purpose of this research is to, firstly, explore the context of TNHE in order to identify the most important internal and external factors that play pivotal roles in strategy making at the organisational level. Secondly, it aims at building field-specific theoretical frameworks and models that can shed light on the concerned issues by borrowing theoretical concepts from some adjacent disciplines such as the international business and strategic management. Thirdly, it puts the constructed models into empirical test with the purpose of examining their applicability and analytical utility.

It must be highlighted that the purpose of the first four chapters is theory building, while in the last couple of chapters the main intention is theory testing. The methodology used to test the conceptual research model is the qualitative comparative analysis by choosing (not randomly sampling) six international branch campuses, which are operating in Malaysia and Singapore and their headquarters, are in Australia and Britain. Therefore, the generalisability of the findings is restricted. These limitations, which are discussed in details in the last chapter, do not fall into any type of contrast with the purpose of the test for the test had been designed to either corroborate or falsify the argument that the developed theoretical model is capable of addressing what it was expected to address. This purpose is ultimately accomplished in this research, but the researcher does not argue that the empirical implications are immediately generalisable. Further research should be carried out to remove the limitation of this study step by step towards a greater level of generalisation.

1.5. Research objectives

The objectives of this research involve providing both theoretical and practical contributions. Firstly, the outcomes contribute to the to the field of TNHE by putting forward a novel theoretical model rooted in the strategic management and international business disciplines, which furthers understanding in relation to the effective management of TNHEIs. Secondly, it contributes to the international business field by examining the processes concerning a special type of MNE, namely TNHEIs that bring forth certain types of complexities, which require new theoretical perspectives if they are to be fully comprehended. Thirdly, it provides a framework for practitioners to analyse their market position and strategic development.

In the next chapter, first, there is consideration of the broader theme of the internationalisation of HE, which leads to the discussion on the TNHE.

Chapter 2

Transnational higher education
management: literature review and
conceptualisation

CHAPTER TWO

Introduction to chapter

Transnational higher education institutions (TNHEIs) are best understood as HEIs that award their degrees to students located in a different country. The number of TNHEIs has grown significantly over the past two decades. The interest here is particularly in the international branch campus: a “brick-and-mortar” unit of an HEI in another country, to be distinguished from two other forms of TNHE: distance education and partner- supported delivery (McBurnie and Ziguras, 2007).

Among the different types of offshore provision, establishing foreign branch campuses is relatively new but growing very fast. A report from the Observatory on Borderless Higher Education (OBHE) reveals that the number of international branch campuses has increased by 43% since 2006 (Becker, 2009), with there being 162 international branch campuses in operation in 2009. The most recent report on that number shows that the number of operating international branch campuses around the world has reached 175 (C-BERT, 2013). In spite of this impressive growth some branch campuses have failed to continue their operations (e.g., the Central Queensland University’s branch campus in Fiji; OBHE, 2007). However, being a relatively new phenomenon, there are not many studies carried out in this field that show what leads to the success or failure of TNHEIs.

Often the growth of transnational higher education (TNHE) is associated with the globalisation of economies, marketisation and neo-liberalism (Moutsios, 2008; Sidhu, 2007). From this perspective, HEIs are seen as service providers that can benefit from the opportunities outside their domestic markets. This does not mean that embarking upon TNHE is only geared towards entering new markets, revenue generation and profit-maximisation. It must be stressed, however, that the financial-economic side is critical: setting up a branch campus requires large investments and such initiatives are therefore highly volatile and risky. With regard to this, a number of case studies focused on the branch campus failures (Sidhu, 2009) revealed that the economic factor was underestimated by the managers. At the same time, maintaining similar service quality at the branch campus(es) is entangled with the reputation of the

TNHEI and hence, although this involves additional cost, is essential. Given these considerations, the question emerges how HEIs can best strategically manage their offshore branch campus(es) and to this end, the most crucial managerial challenges encountered by TNHEIs need to be unpacked. Transnational higher education management is highly complex, for not only do TNHEIs have to deal with the common problems that face every higher education institution, but also they have to overcome the difficulties of operating in more than one country. In particular, political, economic, social, cultural and technological disparities between the countries in which a TNHEI operates, increase the managerial complexity.

Notwithstanding, the strands of the literature on HE are widely fragmented and the theoretical background in this field seems to be relatively weak (Brennan and Teichler, 2008; Hemsley-Brown and Oplatka, 2006; Teichler, 2004, p 18), which is particularly the case in relation to transnational higher education. Therefore, the main aim in this chapter is to put TNHE into context in order to investigate the conceptual shortcomings that assist towards building an appropriate framework, which can address the different facets of TNHEIs' managerial complexities.

This chapter includes two parts. The first part sets the scene for the subsequent detailed discussion on TNHE, by considering the broader themes of the internationalisation and globalisation of higher education. As mentioned above, these phenomena encompass a range of aspects, including: culture, politics, social, technology and economics. However, the lattermost aspect plays a pivotal role and therefore it is necessary to discuss the changes in the economic infrastructure and market mechanisms in international higher education, prior to zooming in on TNHE. In particular, the focus is on the strategic management of cross-border HEIs and their market positioning in relation to the role of the state and patterns of competition in the local, regional and global spheres. From this it will emerge that unlike many other industries and sectors, HE is encountering a fundamental challenge in relation to balancing the economic side of their activities with the social aspect of education as a public good and this provides the foundation for the next part of the discussion.

In the second part, the literature on TNHE is reviewed, specifically with regard to the most pertinent managerial issues, which include: adaptation to the host country's

quality assurance framework, dealing with allegations of cultural imperialism, the transfer of pre-bundled curriculum, staffing issues, etc. For ease of comprehension, these issues will be categorised under three sub-headings: a) curriculum and staffing, b) cultural-societal distance and c) regulatory distance. This section is followed by a concise discussion where we argue that although, at first sight, the key managerial and strategic issues, highlighted in the literature, are highly scattered, by introducing a paradigm from the strategic business literature, it will be demonstrated that these issues are all interrelated and resonate with the strategic dichotomy of global integration (I) versus local responsiveness (R). Moreover, the advantages and the disadvantages of approximating either of the extremes of the dichotomy will be discussed. Finally, a multidimensional conceptual framework, which can demonstrate the strategic positions of TNHEIs will be constructed.

2.1. Part one

2.1.1. Internationalisation of higher education

Research on the internationalisation of higher education in the 1980s was dominated by practitioners in the field whilst the importance of internationalisation was already attracting professional researchers from other disciplines, such as the political sciences, economics, management, etc. (Huisman, 2007, p 2). This literature has covered areas such as the international mobility of students and staff, knowledge transfer, transnational provision and international/regional quality assurance. However, research on the internationalisation of higher education started to receive more attention from the mid-1990s onwards (Kehm and Teichler, 2007) as there was a noticeable growth in this form of provision. In particular, the increasing costs of student movement and the concern of governments over brain drain (see Lien, 2008) were key stimuli for this upsurge (Garrett and Verbik, 2003). Another strong influence was the liberalisation of education markets through the implementation of GATS (Knight, 2003).

Kehm and Teichler (2007) have addressed the development of research in the field of internationalisation of higher education and have pointed to the fuzziness

(multidimensional character) of this topic. This fuzziness, in their view, is the consequence of rapid growth of internationalisation in the field of higher education, the involvement of researchers from other disciplines and the weak understanding of the process of cross-border coordination. Possibly as a consequence, scholars have defined the internationalisation of HE in a variety of different ways. Some of these definitions were gathered by Knight (2004) and are quoted below.

“[Internationalisation refers to] the multiple activities, programs, and services that fall within international studies, international educational exchange and technical cooperation” (Arum and Van de Water, 1992, p 202)

“[Internationalisation is the] process of integrating an international and intercultural dimension into the teaching, research and service functions of the institution” (Knight, 2004, p 9)

“[Internationalisation is] any systematic effort aimed at making higher education responsive to the requirements and challenges related to the globalisation of societies, economy and labour markets” (van der Wende, 1997, p 18).

“ [Internationalisation of higher education is] a change process from a national higher education institution to an international higher education institution leading to the inclusion of an international dimension in all aspects of its holistic management in order to enhance the quality of teaching and learning and to achieve the desired competencies” (Soderqvist, 2007, p 29).

Knight (2004) highlighted the fact that internationalisation of higher education can and must be studied at two levels: the institutional and the national/sector level. Regarding this, she argued that the national/sector level is important, because it affects the international dimensions of higher education institutions through: regulatory, policy and funding plans. In addition, she emphasised that the actual process of internationalisation takes place at the institutional level; therefore, both levels are integral to the process and thus, should be studied simultaneously. In relation to this, she proposed a definition for the internationalisation of higher education that, as she claimed, covers both the national/sector and institutional levels:

“The process of integrating international, intercultural or global dimensions into the purpose, functions or delivery of post-secondary education” (Knight, 2004, p 11).

Scholars have argued that the meanings of globalisation and internationalisation are not interchangeable and their definitions of these terms vary depending on their academic discipline. That is, these matters have been considered under: sociological, economic, cultural, historical and political lenses and have resulted in the generation of substantial theory based on the analysis of their processes and their implications in the different fields. However, the economic approach would appear to be central to the debate, for economic globalisation is providing the foundation for market competition. Dicken (2000, p 235) differentiated globalisation from internationalisation, by arguing that the process of internationalisation involves a quantitative expansion of economies, while globalisation involves the integration of activities across borders. However, from a sociological perspective, some scholars, like Beck (2000), see internationalisation as a response to globalisation. According to this argument, the market is not taking over in the globalised world but nation states are highly influential within the process and try to regulate it. The outlined debate can be paraphrased through a political lens as the contest over governance between the nation states and the market. That is, the question is whether the globalised markets are undermining the power of nation states.

Rooted in the above discussion, scholars have defined the internationalisation and globalisation of higher education from different perspectives. Luijten-Lub (2007, p 26,27) has argued that the key definitions of the internationalisation and globalisation of higher education can be seen as falling into two camps. That is, some scholars, such as Scott (1998) and Marginson (2000), consider internationalisation as an external process, whilst others, such as Knight and Van der Wende see it as a policy of an HEI. Moreover, those supporting the first view believe that globalisation and internationalisation have dialectical relationships and therefore influence one another, whilst those propounding the second argue that internationalisation is the response of HEIs to globalisation (Luijten-Lub, 2007, p28, 29). Nonetheless, Teichler (2004) contended that the terms internationalisation, globalisation and Europanisation all represent a policy deviation from a closed national system to a broader scale of higher education, but they are different to some extent. Regarding these, he argued that internationalisation should refer to an increase in cross-border activities, whilst

globalisation should come under the assumption that national borders are disappearing. However, drawing on the various interpretation of globalisation put forward in recent years Teichler (2004, p 23) concluded the term should cover a supra-national phenomenon in the field of higher education that comprises everything related to this on a global scale, most notably, international competition and marketisation across borders.

Although, these interpretation would appear to be contradictory as they take different starting points (Luijten-Lub, 2007, p 26,27), in fact, they are quite similar and both have HE as their focus. However, the stance taken in this research is closer to that of Van der Wende and Teichler that were discussed above. That is, globalisation is seen as a supra-national phenomenon that causes a re-constellation of some socio-economic foundations and internationalisation, is the response to this. One of these responses in the context of HE is the emergence and the growth of cross-border HE provision, which raises the issue of identifying the drivers for these activities.

2.1.2. Key drivers of cross-border higher education

The emergence and growth of cross-border educational activities are largely due to the massification of higher education, which is being driven by changes in: social, cultural, economic, political and technological factors at the supranational and national levels (OECD, 2004, p 204 ; Rhoades and Slaughter, 1997), which are interrelated.

In the political context, the twentieth century witnessed the downfall of colonialism and communism that resulted in the growth of liberal democracy. Within this pluralist phenomenon, one particular strain of thought was the ideology of neoliberalism, which supports a free market economy and market-based competitions involving less governmental control and growth of the private sector. The World Trade Organisation (WTO) has very much championed this perspective since it was established and HEIs have not been immune from this political shift. Regarding this, Olssen and Peters (2005, p 326-340) argued that despite deregulation and less governmental control,

neoliberalism has increased the importance of HEIs in the eyes of governments thanks to their contribution to economic development and knowledge capitalism. Moreover, nowadays public HEIs operate in a market or quasi-market, mixing the elements of both public and private enterprises (McBurnie and Ziguras, 2007, p 12).

From a cultural perspective, globalisation has had a significant impact on the higher education sector. Not only has HE engaged with the provision and transmission of cultural values, but it has also strongly promoted cross-border student mobility. From the demand side, the opportunity of living in a different country and getting familiar with different cultures is appreciated in many cases. However, since the main direction of HE provision has been from the developed countries to the developing world (Naidoo, 2008, p 11), the concept of cultural imperialism has also been discussed by some commentators (Banks and McBurnie, 1999) and this served for some to question the morality of some cross-border activities. In spite of this, the advent of technology and in particular, Information Communication Technology (ICT), has influenced cross-border activities to a great degree. In particular, significant cost reductions in day-to-day operations and the facilitation of flows of information on a global scale are important elements that have encouraged cross-border activities by HEIs (Knight, 2006).

One of the key attributes of competitiveness in the globalised world is reaching out to foreign markets. Regarding this, although HEIs compete in their local and regional spheres, competition at the global scale has increasingly become important in the last couple of decades, with substantial numbers seeking profit and prestige outside the borders of their countries, by embarking upon cross border activities. In particular, the proliferation of cross-border activities was stimulated in the aftermath of recognition of education as a tradable type of service by the WTO in the General Agreement on Trades in Services (GATS) negotiations (OECD, 2004, p 31). Further, this inclusion pushed many WTO members to move towards liberalisation of their tertiary education system. The GATS agreement encompasses a set of rules for international trades in services such as education and accordingly, this can be traded in four ways (OECD, 2004, p 35):

“Mode1- Cross-border Supply (requires a physical movement of the consumer or the provider such as distance education, commercial franchising, and online education)

Mode2- Consumption abroad (consumer moves towards the supplier such as student’s movement to another country to study)

Mode3- Commercial presence (the provider establishes facilities in another country such as branch campus and venture with local institutions)

Mode4- Presence of natural persons (person travels to another country on a temporary basis to provide the service such as teachers and researchers movements)”.

Put simply, modes 1 to 4, respectively represent: programme mobility, student mobility, institution mobility and academic mobility. Some scholars have investigated the implications for higher education of the GATS (see for example Czinkota, 2006; Geloso-Grosso, 2007; Knight, 2002, 2003; Larsen *et al.*, 2002; Moutsios, 2008; Sauvé, 2002; Sidhu, 2007) and it has been concluded that this has contributed to the growth of commercial international higher education more than anything else, even though other types of trade agreement exist, such as: free trade areas, custom unions, common markets and economic unions (McBurnie and Ziguras, 2007, p 137). Regarding the nature of the provision, Naidoo (2009) has claimed that in the education sector, the growth in trade is shifting to mode 3, which represents TNHE.

To sum up the drivers of cross-border educational activities, it is the economic-financial matters that play a leading role, i.e. financial profitability or at least financial viability, for these are crucial for successful cross-border HEIs. This has given rise to the use of marketing terms, such as market positioning and competition in the relevant literature. Regarding these, later in this chapter it is posited that it is astute market positioning and effective management of resources that are the keys for transnational HEIs gaining competitive advantage. However, before focusing on TNHE, it is important to clarify the dimensions of competition and market mechanisms in the higher education sector.

2.1.3. Markets in higher education (an economic perspective)

One of the most significant implications of economic globalisation is the deregulation of markets and the emergence of free market economies and as explained above, the higher education sector has also been exposed to this fundamental change. Taking the traditionally nonprofit nature of higher education into account, the question emerges as to whether engaging in the market can lead to greater efficiency in that sector or not. With respect to this, Massy (2004, p 13) defined internal efficiency as “producing the right bundle of outputs given the needs and wants of stakeholders, and then minimising production cost for the given bundle”. In higher education, the right bundle of outputs is evaluated by society as well as individuals. However, unlike the for-profit sector the evaluation of added value in nonprofit enterprises is highly subjective and HEIs have traditionally belonged to this category, being responsible for adding educational value to society. Nowadays, many of these former nonprofit organisations are having to survive by operating in a free market and thus, are having to take account of financial prudence if they are to prosper or even survive. Regarding this, financial problems and the low number of enrolled students were highlighted as being the main reasons for George Mason University withdrawing from the UAE (OBHE, 2009). This underpins the importance of HEIs employing market strategies so as to achieve, at least, a minimum level of financial viability.

Supporters of a free market economy prescribe deregulation and privatisation with less governmental control and interference, rooted in a belief that the invisible hand of the market will automatically assure the efficiency of outputs, especially for customers (Giddens, 1994; McGuire and Olson, 1996). Moreover, under this theoretical lens, it is argued that less regulatory pressure on businesses from the government side would bring liberty to the market and hence, introduced greater competition among individuals. To perform well in this market, players need to hear the consumer’s voice and use this to guide cost and quality-oriented exercises so as to generate higher quality products at reasonable prices. In sum, proponents of this perspective argue that this mechanism works best when there is minimal government intervention. However, despite the rolling back of the state in many instances, most governments are still responsible for setting up overall boundaries of trade markets at the macro level, in particular, for HE.

Adopting an alternative position to the free market approach, Gibbs (2002) propounded a humanistic market approach to education, arguing that although financial viability is necessary for an HEI to create competitive advantage, the notion of a market in higher education must also address socio-ethical issues, such as trust building and hence, an “invisible handshake” is a preferred metaphor to the invisible hand of the market (Gibbs, 2002, p 333).

There are a number of different markets with which higher education institutions are involved, such as the markets for non-academic services, staff recruitment and student recruitment and the lattermost is the main matter of concern in this research. Regarding this, “In the case of students, markets can be viewed as regulatory devices or as mechanisms for transferring money from consumers or taxpayers to the universities that supply the service” (Massy, 2004, p 14).

In this regard, the issue of the degree of control by the state over HEIs has been discussed widely by scholars. For instance, the *principal-agent model* (Roland, 1997; Sappington, 1991) for assessing the regulatory processes and mechanisms besides markets and *steering from a distance* (Neave and Van Vught, 1991) are famous models. This is the point of departure to raise the question whether the free market mechanism can assure an acceptable level of efficiency in HEIs. In other words, in the absence of (less direct) governmental control, are HEIs able to maintain their academic character and produce a quality educational service to the society?

Returning to the definition of efficiency, which was given earlier, it is highly needed to explain the meaning of outputs in a nonprofit entity in relation to stakeholders and markets. Massy (2004) claimed to have developed the microeconomic theory of nonprofit enterprises, which describes nonprofit behaviour as: “maximising a subjectively determined value function by adjusting outputs and output prices, subject to market, production and financial constraints” (Massy, 2004, 15). Consequently, it can be seen that he believed that the economic models of nonprofit and for-profit enterprises are very similar. Other scholars disagree with this analogy (see for example Rhoades and Slaughter, 1997), arguing that in the higher education sector the market mechanism cannot replace the role of the government in terms of steering.

Furthermore, the “paradox of profitability versus responsibility” (De Wit and Meyer, 2004, p 597), which refers to the fact that in a market economy enterprises need to ensure their profitability to be able to survive and compete with rivals; however, these organisations have social responsibilities and this particularly accounts for nonprofit entities, such as HEIs. The dilemma lies in that adherence to the profitability side of the spectrum increases the possibility of paying less attention to social responsibilities and vice versa. As mentioned earlier, HEIs are traditionally known as nonprofit enterprises that are in charge of training and educational enhancement of the society. Therefore, it is obvious that there is a high expectation from HEIs to stick to their social commitments and research in terms of capacity building.

Regarding this, whilst Massy (2004) believed that markets provide the same incentives for nonprofit enterprises as for-profit organisations, other scholars have warned against the dangers of commodification of higher education (Naidoo, 2007). This refers to HE being seen as an industry, students as customers and HEIs as service providers, with activities being solely aimed at economic factors rather than social development (ESIB, 2005). Moreover, it has been argued that commodification is the result of massification of higher education and relies on the concept of *marketisation* (Gibbs, 2001; Kwong, 2000; Lynch, 2006; Williams, 1997). The diminishing role of government in controlling and monitoring the quality of HEIs and increasing dependence on the market mechanism through this process has been criticised for being likely to jeopardise the academic character of these institutions as it would militate against the social responsibility aspect of HEIs (Naidoo, 2007).

In relation to this, Nicholls et al. (1995, p 36), after realising there has been a growth of market orientation in today’s educational environment, suggested that there must be a new balance between commercialism and professionalism in HEIs and Czarniawska and Genell (2002, p 470-472) have argued that the standard solutions of: quality assurance, evaluation and ranking, can strike this balance. In addition, Massy (2004) expressed the view that, similar to the for-profit sector, in the higher education field the invisible hand of the market works and thus price, quality and performance, will automatically create a balance. However, some of the studies conducted to date have revealed that the opposite occurred. For instance, Jongbloed (2003, p 11) stated that the invisible hand does not work and gave the reasons for market failure in higher

education as: externalities, information-related problems, monopoly and market power, and income redistribution Jongbloed (2003, 2004) draws on Clark's (1983) triangle of coordination to illustrate the available options for HE systems.

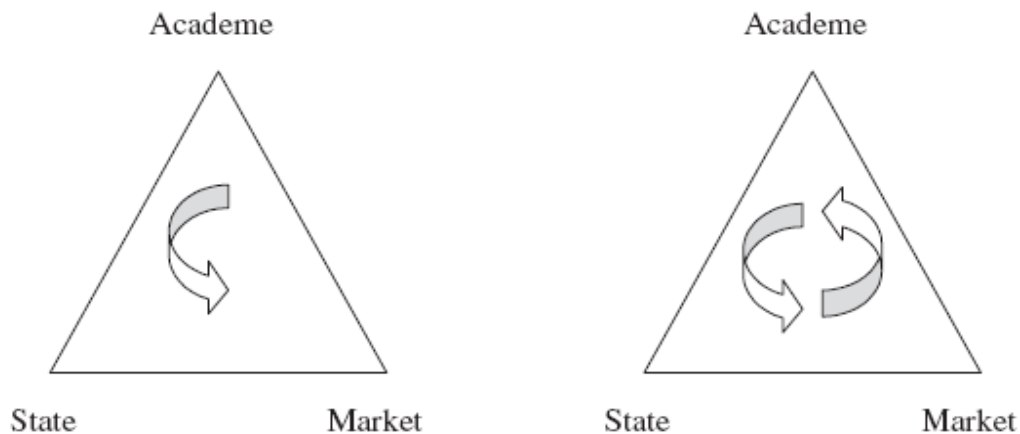


Figure 2-1- Clark's triangle of coordination

Source: Jongbloed (2003, p 132)

Clark's (1983, p 143) triangle, as shown above, illustrates the coordination of the higher education system involving the state, market and the academic oligarchy. The left triangle depicts a shift from a tight controlling system by the state to giving more liberty to market mechanism. In other words, under these circumstances the role of the state has changed from a controller to a supervisor and this has provided more space for market forces to play a role in decision-making processes. The right-hand triangle represents increasing interaction between the market, government and academics. This so called "new paradigm" (Jongbloed, 2003, p 132) stresses the dynamic mechanism of the three key players. Accordingly, in some areas and under some circumstances the government may play a more important role than the other two; whereas at other times and under different conditions or in different areas, the market and academics may be more influential (Jongbloed, 2003). This whole debate is underpinned by the interplay of the issues of control and autonomy. Regarding this, academics always look for a higher degree of autonomy, believing that they have a better understanding of quality and what suits students in both the teaching and research areas. At the same time, the market mechanism drives the institution towards maintaining a high corporate profile and the government has to strike a balance amongst stakeholders, concerning human capital and capacity building for society

from a utilitarianism perspective. In general, with respect to Clark's (1983) triangle, a tension can be observed between the interests of the state, the market and academics, the outcome of which can influence the quality of education to some extent. Drilling down, Alexander (2000) explained this tension arises because from many governments' utilitarian perspective, "economic values are supreme and quantification of fiscal resources is the true measure of value" (2000, p 427), whilst university leaders are more reluctant to adopt such views and this author was of the opinion that HEIs should distance themselves from utilitarian goals.

From a different perspective, drawing on the concept of knowledge economy and knowledge society, Beerkens (2008) has argued that the main orientation of research universities should be towards serving society and the economy. To accomplish this purpose, he contended that these HEIs must manage their relations with the government and industry. Moreover, he postulated that the interface between university, government and industry is based on the three core issues of efficiency, responsiveness and accountability. That is, in his view universities must adopt strategies that enable them to perform efficiently, whilst being responsive to the social and economic needs of the society and "accountable to [their] external stakeholders" (Beerkens, 2010, p 373). In other words, HEIs should be beholden to striking a balance between the expectations of the different stakeholders, especially the government, academic professionals and industry. He advanced a new public management model for HEIs, which proposes the strengthening of the steering core of universities, by shifting increased managerial responsibilities from the government to these institutions, for the author believed that this would ensure an effective balance between the aforementioned factors (see for more discussions on the concept of accountability Huisman and Currie, 2004; Romzek, 2000; Trow, 1996).

Many advocates of the market mechanism do acknowledge its shortfalls. However, like Massy (2004), they argue that when the market fails there should not be governmental direct intervention. Instead, he proposed a performance-based steering model, built on the idea of increasing public awareness about HEI performance, whereby funding is allocated to assessing the key performance indicators, which are then published. That is, public awareness of the performance of institutions, he believed, would alleviate the threat of market imperfections. However, other

researchers have elaborated on the role of government in a different way. For instance, Jongbloed (2003) argued that the government should be acting as a coordinator rather than intervening. This is close to the model of steering from a distance and soft accountability measures.

2.1.3.1. *Global, national and local dimensions*

Beerkens (2006, p 1) defined the phenomenon of globalisation as the process in which socio-political and economic arrangements become detached from their national and local infrastructures and reconstitute in a different order (see also Marginson, 2009, p 299). Moreover, he argued that supra-national forces exert pressures on the national territory to conform to the globally accepted models of higher education. Engel (2008) has also explored the intricate set of national, regional and supranational forces that contribute to shaping higher education policy.

Unpacking the process of globalisation, Beerkens (2006) pointed out that internationalisation of domestic policies can take place through either coercive forces or learning processes. Regarding this, emphasising external pressures for adaptation, Marginson and Rhoades (2002) identified three domains of activities and operations for international HEIs: national, global and regional. They criticised Clark's (1983) triangle for "pursuing macro trends and structures [and undervaluing] micro dynamics and determinants" (Marginson and Rhoades, 2002, p 286). Marginson and Rhoades (2002) went on to develop a model called the *glonacal agency heuristic*, which encompasses the three domains of national, global and regional spheres that they purported to have reciprocal influences on each other. That is, whilst Beerkens' (2006) typology explores the outside-in dimension of global convergence, the *glonacal agency heuristic* addresses the flow of reciprocating activities and influence across the three domains. Thus, under this perspective it is not only the supra-national environment that affects the shape of national and local practices, steering them towards a global convergence, but also the local and national agencies and agents have an impact on the global models.

Along with increasing signs of homogeneity in the international higher education sector and despite the inexorable push for isomorphism in organisational fields (DiMaggio and Powell, 1983), the apparent international diversity of higher education systems has still been addressed by some scholars. With respect to this, Huisman et al. (2007) focused on the concept of institutional diversity in HE by carrying out a cross-national and longitudinal analysis and reported a considerable amount across nations and institutions. Beerkens (2006) argued that although the response of a university to external pressures depends on its embeddedness in the relevant transnational organisational field and hence isomorphism at all levels should be expected, in some cases, global isomorphism coincides with diversity at the national or local level. That is, a university can adopt a global model whilst trying to diversify from its local competitors, without impinging on its performance. In general, this illustrates the dichotomy of isomorphic change versus idiosyncratic strategic response, which Vaira (2004) has termed “*allomorphism*” (2004, p 498). Application of allomorphism to higher education vindicates the overall isomorphism of the field, whilst individual institutions remain idiosyncratic and diverse (Vaira, 2004).

In the last two subsections, the market mechanism in the higher education sector and considered the roles of the key stakeholders have been discussed and it has been elicited that: efficiency, responsiveness and accountability need to be effectively maintained by an HEI. These concepts plus the role of the key stakeholders will emerge as taking on even an even greater complexity when considered in the context of transnational HEIs. Moreover, having to take into account the global, the national and the regional dimensions of competition in addition to the concepts of convergence and diversity at the national level, will further contribute to the complex nature of the enquiry. Nevertheless, before these aspects are investigated, it is essential to see how HEIs position themselves against their competitors in the market.

2.1.3.2. *Positioning in the competitive HE market*

Marginson (2006) studied the patterns of competition in the higher education market and concluded that the global university hierarchy, which is the result of differences between research universities, and national inequalities, has led to a positional

competition. This has involved unidirectional flows of knowledge, people and capital that have intensified this competition. Although, initially these flows were mainly from the English-language speaking developed countries to developing ones, more recently some of the latter have invested in their national capacity-building and gradually decreased inequalities. Moreover, some non-English-language speaking developed nations, such as Germany and France, have taken after the US and the UK by enhancing their levels of prestige.

At the institutional level, HEIs adopt different strategies to position themselves in the market and thus, move towards creating a competitive advantage. Mazzarol and Soutar (2008) studied the strategic positioning behaviour of Australian educational institutions and drawing on Porter's generic model (Porter, 1990, p 39), they discovered that some educational institutions undertake a cost leadership strategy, whereas others prefer to reach a competitive edge through differentiation strategies. They also identified institutions that follow cost-focused and differentiation-focused strategies, by targeting niche markets and surprisingly, some that have no strategy at all (Mazzarol and Soutar, 2008, p 147). In sum, the implications of this study revealed that having a strategy positively affects the performance of an educational institution. Moreover, because of the nature of the educational sector and dynamics of the market, cost-leadership strategies are not always sustainable (Mazzarol and Soutar, 2008, 149).

No matter what strategy has been undertaken, the main pattern of competition in the HE market revolves around operating a *positional good*. The positional good, to some extent, promises the students a better social lifestyle in the future. The positional aspect is associated with the concept of prestige for an institution. Research by Moorgan et al. (1999) revealed that the institution's prestige is much more important than programme quality in the students' decision-making criteria (see also Isherwood, 1991; Ivy, 2001; Paulsen and St.John, 2002; Williams and Van Dyke, 2008). Moreover, it has been claimed that the outcomes of quality assurance measurements, which are often presented in the format of league tables, are not influencing students as much as the prestige of a university, even though there may be a positive correlation between league table position and prestige. In sum, competition in the HE sector is about the creation of positional goods, which involves enhancing institutional

prestige and image building. Regarding the latter, creating and maintaining a distinctive image is necessary for an HEI to build a competitive advantage (Hemsley-Brown and Goonawardana, 2007; Paramewaran and Glowacka, 1995). Moreover, reputation and prestige have been defined as “assets that allow institutions of higher education to convey non-price information to customers” (Brewer *et al.*, 2002, p 27) and higher ratings of these enable an HEI to attract brighter students, who in turn, will contribute to maintaining or improving these standards. In reality, a dual competition occurs in the HE market place: not only do HEIs compete to entice preferred students, but also top students compete to get themselves a seat in high prestige institutions (Geiger, 2004, p 18).

From a business perspective, writers have discussed the concept of branding of HEIs to represent what they stand for in essence (Wæraas and Solbakk, 2009). This view draws on the concept of creating a corporate identity for universities that exploits the brand to gain a strong position in the market (Nicholls *et al.*, 1995, p 37). More specifically, the branding of an HEI can be defined as a process, which links the identity of the institution to its image (Stensaker, 2007, p 3). Regarding this, Wæraas and Solbakk (2009, p 452) called branding “an instrument for improving competitiveness and reputation”. However, the implications of their study revealed that corporate commitment in academia is likely to fail, because academics do not have the same perception of vision and mission of the institution as other corporate bodies (Wæraas and Solbakk, 2009, p 459). Moreover, it has been asserted that HEIs are hybrid organisations, partly business and partly church (Albert and Whetten, 1985). Therefore, a brand may convey the message of the corporate side, whilst failing to reflect the essence of the academic side. Further, Wæraas and Solbakk (2009) admitted that the concept of branding in higher education is very rough in its details and thus needs further development. Temple (2006, p 18) highlighted a similar set of problems, coming to the conclusion that “branding in higher education would be better labelled as reputation management”.

Van Vught (2008) argued that the products of HEIs are experience goods and that students are unable to judge these before they experience them (see also Brewer *et al.*, 2002, p 19). Thus, the students’ judgments are “hampered with the well-known market failure of imperfect information” (van Vught, 2008, p 167). Relying on this

point, he endorsed that the competition between HEIs is over reputation in order to maximise their prestige, whereby they seek to consolidate their prestigious images into the consumers' (students, employers) minds (see also Nguyen and LeBlanc, 2001). This goal can be achieved through increasing the institution's external accountability by social trust building and meeting legitimate expectations (Trow, 1996, p 316).

It should be noted that the concepts of reputation and prestige are not to be used interchangeably, for the former can be built based on a given bulk of information whilst the latter is the consequence of upholding the reputation over a considerably long period and consequently, a reputation for an organisation can be eroded much quicker than its prestige (Brewer *et al.*, 2002, p 29,30). Further to this point, Geiger (2004, p 15) concluded that a huge amount of a university's efforts are applied to maintaining academic standards and enriching the research profile in order to keep or improve upon its current market position. For these reasons, it is difficult for HEIs to find the capacity to compete in the HE market.

Marginson (2006, p 5) argued that prestige involves a cyclic feedback mechanism: "Prestige sustains high student scores, competition drives them higher, and scarcity reproduces the prestige of the elite universities, in the kind of circular effect that always drives the reproduction of hierarchy". The concept of scarcity suggests that high prestige seeking HEIs should not follow massification strategies, for if they do so, this may negatively influence their level of prestige. Further, although Marginson (2006) expressed the view that a stronger research profile is the most important factor in general prestige building for a university, Brewer et al (2002, p 29) argued that the reputation and prestige are specific to the choice of the institution as to which market it intends to operate in. For example, some HEIs aim at reputation building among bachelor degree students, whereas others do so by focussing on offering a range of profession-oriented degrees. However, in general, even Brewer et al (2002) agreed that the latter two cases would be benchmarked lower than the research-based universities.

Drawing on the glonacal agency heuristic model, Marginson (2006) introduced two separate spheres of competition in higher education: national and global and

according to the model, these two domains have reciprocal influences on each other. Regarding this, at the national level he stratified HEIs based on their scarcity and exclusion, as shown in table 1.

Table 1. Typical segmentation of competition in national higher education systems

Segment 1 Elite research universities	Self-reproducing, combining historical reputation, research performance, and student quality/degree status. Driven by status attraction/accumulation not revenues per se. Non-expansionary in size. Limitless ambitions for social status and power. Wealthy. Relatively closed
Segment 2 Aspirant research universities	Struggling to live as Segment 1 but unable to break in. Tendency to brain drain of best students and researchers to Segment 1. May engage in selected commercial activities to generate revenues, but not so efficient in commercial terms. Resource scarcity. Semi-open
Segment 3 Teaching-focused (university or other)	Student volume- and revenue-driven. Some are private for-profit institutions, or public sector operations with a large commercial component, tending to expand. High resource scarcity. Tendency to hyper-marketing and shaving costs/quality under market pressure. Open

Table 2–1- Segmentation of competition in the national HE system

Source: Marginson (2006, p 8)

The fortunes of the universities in the top echelons are secured by their number of applicants and they do not need to struggle for student recruitment, whereas those in the lower echelons, whether for for-profit or nonprofit activities, have to compete to attract students. Their major activities are teaching and they are concerned with expanding their numbers and their reputation. The middle group consists of universities that are relatively young but research-based and they try hard to enhance their research profile so as to be able to join the elite club. These types of universities often imitate the programmes and curricula from the first group. Further, within each national system, universities compete to attract more research funding and also benefit from recruiting international fee-paying students in order to boost their revenues (Marginson, 2006, p 9).

Turning to the global dimension, competition here revolves around: student, programme and institution mobility. Similar to the national domain, universities in the global sphere have been categorised based on the elite/mass dualism and their position in the market (Marginson, 2006, p 21).

Table 3. Segmentation of global competition in higher education

Segment 1 World market of elite universities	The American doctoral sector and the high prestige universities in UK. Prestige not profit-driven. Prestige rests on research reputation and global power of degree
Segment 2 Exporting national research universities	Research universities in the UK, Canada, Australia, Europe, Japan. Prestige-driven at national level but often run foreign degrees as a profit-making business
Segment 3 Teaching-focused export institutions	Lesser status institutions in the export nations, operating commercially in the global market, catering to a lower cost/ lower quality echelon of foreign education.
Segment 4 Nationally-bound research universities	Prestige providers within a single nation, normally research intensive universities. Nationally competitive with Segment 2 (but not 1), minor cross-border role
Segment 5 Lesser status national/ local institutions	Confined to national competition and local demand. No cross-border role. The largest group of institutions, especially in importing nations

Table 2-2- Segmentation of global competition system

Source: Marginson (2006, p 21)

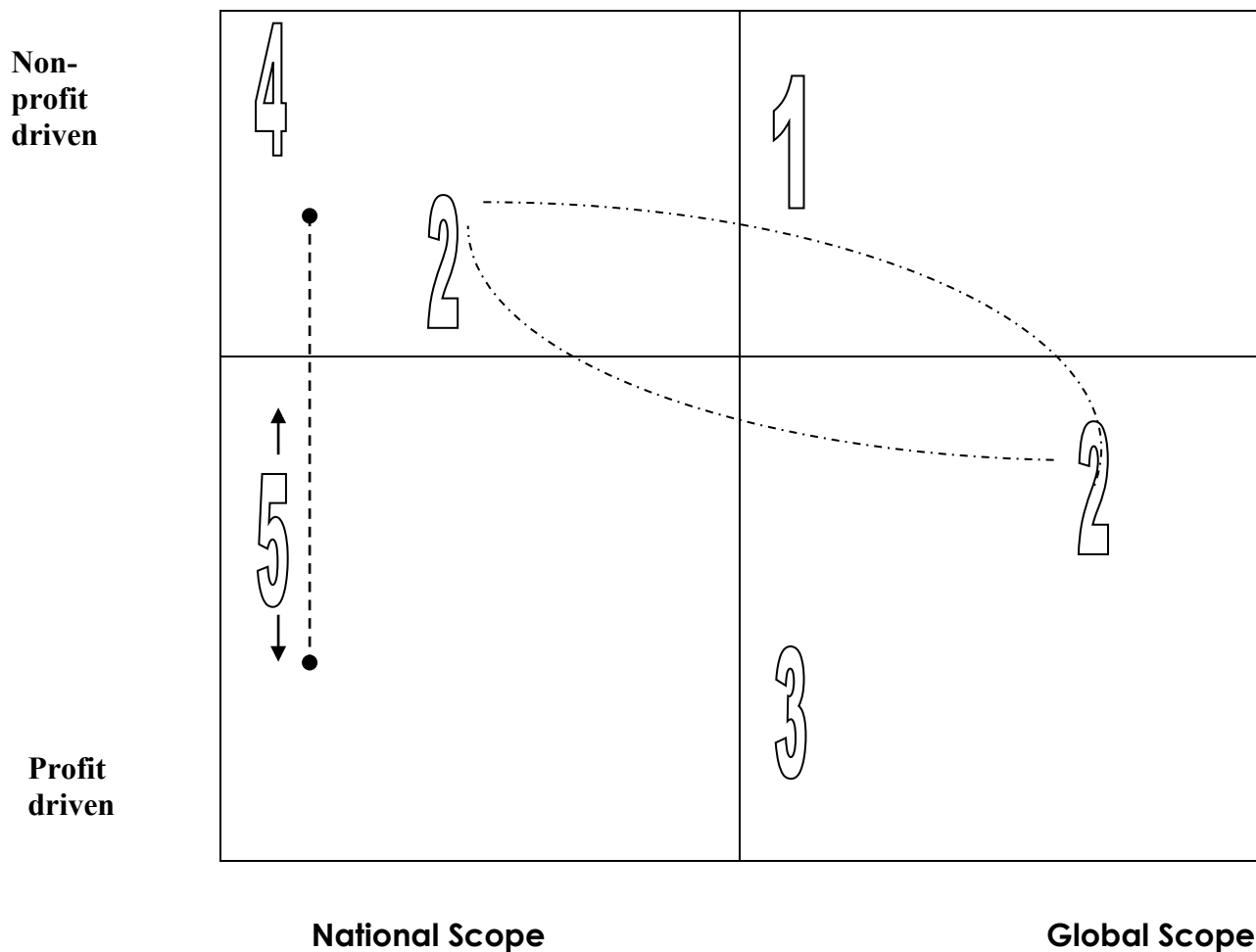


Table 2-3- Classification of HE competition system

The above table can be visualised based on the two dimensions of the scope of activities and the profit orientation, as follows:

Marginson (2006) argued that the reputation of the country where the HEI is located is far more important for students than the prestige of the individual institution. In other words, in the global competitive domain, the prestige of an HEI is a function of the reputation of its country of origin and the US and UK fare very well under this arrangement. In this regard, Palfreyman (2008, p 10,11) posited that the main reason for the success of American elite universities (according to their position in HE league tables) are: less external (i.e. governmental) control, fierce academic competition and diversified funding mechanisms. These inequalities between the nations constitute a hierarchy, which intensifies the competition. According to the glonacal agency heuristics, these two domains influence each other, because the global prestige of a university has an impact on its national and local reputation and vice versa. For instance, the failure of offshore activities of a university, such as the George Mason University in the UAE (OBHE, 2009) can tarnish its national reputation.

Up to this stage, the impacts of globalisation on HEIs, especially the economic drivers of cross-border activities have been identified. In particular, the market mechanism and the requirements for market positioning of HEIs have been addressed and it is clear that from an economic point of view, they increasingly have to compete in order to create a competitive advantage. However, reaching a competitive edge does not solely help these institutions with their financial viability and profitability, for it also influences their social positions and the reputation enhancement that goes with this enables them to address their social responsiveness goals.

2.2. Part two¹

2.2.1. Transnational higher education

The discussion starts with advantages of transnational ventures. TNHE is believed to have several advantages for both the home and the host countries. TNHE helps the

¹ Parts of this section have been recently published: Shams, F. and Huisman, J. (2012). 'Managing Offshore Branch Campuses: An analytical framework for institutional strategies'. *Journal of studies in international education* 16(2): 106-127.

host countries (importers) to reduce brain-drain (see for different arguments Lien, 2008; Lien and Wang, 2010), to enhance the level of national education, to support income generation, to increase technology transfer and to build capacity while it benefits the home countries (exporters) by creating an extra source of income, the opportunity to exploit foreign markets and expand the range of their research activities (Becker, 2009; Garrett, 2004).

Drivers to cross borders were discussed in the first part of this chapter. Financial, reputational and academic goals are key decision factors for many of the transnational movements (McBurnie and Ziguras, 2009). These drivers obviously connect to the previously mentioned advantages. Countries like Singapore (Mok, 2008) and Malaysia (Gill, 2009) are deemed to be profitable target markets due to their national strategy for boosting their knowledge-based economies (George, 2006), hence facilitating foreign HE provisions. However, accomplishing the economic goals by accessing greater market opportunities - although necessary to the extent of financial viability - does not seem to be the main driver. The concept of prestige for HEIs was also addressed. Considering transnational activities, Slaughter and Leslie (1997) argued that universities aim at maximising their prestige (see also Marginson, 2006; Nguyen and LeBlanc, 2001; van Vught, 2008). They claim that establishing a branch campus helps to enhance the university's image and prestige (see also Verbik and Merckley, 2006). This is a market-driven approach (Edwards and Edwards, 2001) as universities try to broaden their portfolio including prestige and brand name by extending to foreign markets. Dunning's eclectic paradigm (Dunning, 1980; Dunning and Lundan, 2008b) - a widely used model in international business helps to synthesise the rationales of cross-border activities of HEIs. Dunning's model (also known as OLI paradigm) consists of three factors: Ownership advantages (O), Location advantages (L) and Internalisation advantages (I). Having a rich portfolio of ownership advantages, that rely on firm-specific assets (tangible and intangible), makes organisations capable of becoming transnational. Location advantages point at the accessibility of required resources in the host country, and are key motives for transnational ventures. Finally, the internalisation advantages concern reducing transaction costs by avoiding external routes of transmitting ownership advantages to the host country such as licensing or franchising. In the higher education sector, universities and colleges with a strong research and teaching profile, prestigious brand names and a high level of embeddedness in their national countries have the potential

privilege to step outside their borders and offer their services to foreign markets (Edwards and Edwards, 2001). These are their ownership advantages. Nevertheless, the existence of location-specific factors (the second factor in the Dunning's model) plays a key role as well. The ability to offer cheaper educational services in some profitable markets like Singapore and Malaysia encourages HEIs to establish their branch campus and position in the foreign market. Internalisation (the third factor), in the case of TNHE, points at the benefits of the branch campus vis-à-vis licensing or joint venturing: the HEI can avoid all the tensions that exist in partnership models (McBurnie and Zигuras, 2007). Nevertheless, it must be noted that strategic alliances with local partners have several benefits for the new entrant in the host market as well. Our focus in this paper, however, is on branch campus mode of offshore provision.

It is noteworthy that in comparison to other types of TNHE, branch campus establishment is exposed to a considerably higher level of risk due to the required large amounts of investments. Some observers even argue that it is “a huge commitment of time and resources [which makes setting up of overseas campuses] a strategic mistake” (Shattock, 2007, p 18). Nevertheless, some more optimistic observations can be found as well (see for example Verbik and Merkley, 2006).

Driven by the OLI factors, a TNHEI seeks positioning in the target market. Although choosing the right target market and the right mode of entry (e.g. full branch campus, licensing, etc.) can have significant positive impacts on the performance of the institution, the managers still must overcome a wide range of obstacles.

2.2.1.1. Managerial challenges

In this section, the major managerial and strategic challenges facing TNHEIs, which are identified and addressed by scholars and practitioners are discussed (see also for a concise review Debowski, 2008). To better position and present the findings, we compare the setting up of a branch campus, with an enterprise considering entering a foreign market. This is done, of course, without presupposing that higher education institutions develop such initiatives completely based on similar (financial) motivations. However, the economic and international business literature helps to put the managerial challenges into perspective. From an economic point of view, similar to other transnational enterprises, TNHEIs try to reach a competitive edge in their

target markets by relying on their ownership advantages (Dunning and Lundan, 2008a), such as brand name, experience, intellectual properties and prestige. These advantages are a bundle of tangible and intangible resources, which the TNHEI deploys to the host country in order to exploit the opportunities in the target market. Vying with other local and international competitors, the better they can transfer their ownership advantages and the better they use the location-specific advantages, the more successful they will be. Adjusting themselves to the circumstances of the target market requires an appropriate use of location-specific advantages. Therefore, both the short and long-term successes of the TNHEI in a foreign country are bound to the strategic management of resource transfer and implementation. Obviously, teaching (the curriculum) and research are the core activities of a higher education institution, and the quality of these services largely depends on the quality of staff. Therefore, curriculum, staff and research potentials are the main resources, which constitute the firm-specific assets and thus need to be transferred to the target destination. Undoubtedly, addressing the managerial issues related to bundling, transferring, disintegrating and adapting the three resources (curriculum, research and staff) to the target market would not cover the entire challenges and impediments that a TNHEI may face while operating in the home and the host country. However, as the core activities revolve around these three items, it is expected that the major managerial challenges are related to these factors. The following review of the literature will confirm this.

2.2.1.1.1. Curriculum and staffing

If the transnational HEI decides to deliver the same materials and operate the same curriculum at the branch campus, it needs to bring many resources (e.g. staff) to the target market. This is highly likely to be very costly and uneconomic due to the high travel expenses and higher wages (in most cases) in the home country (Ennew and Yang, 2009; Gill, 2009). On the other hand, experienced and qualified local lecturers making a significant contribution to the learning process of students can often be a scarce good (Ziguras, 2008), given that the majority of branch campuses are established in developing countries. Thus, relying on staff from the host countries may not be possible or may impinge negatively on the quality of teaching to some

extent (McBurnie and Ziguras, 2009). However, in some cases the foreign branch campus is under legal or contractual obligation by the host country's government to recruit locally up to a certain percentage of the total number of staff (Becker, 2009). Therefore, it seems that transnational universities have no choice but to make strategic decisions regarding the balance between using home and host staff (see also Tham and Kam, 2008). That is why the ACE report (2008) has argued that the biggest "people question" facing international branch campuses is staff recruitment (Green *et al.*, 2008a, p 6). It is not only the proportion of local to home staff that matters, but the cultural differences that exists between them raises some challenges: "[T]he approach to managing teaching staff in an IBC, therefore, is affected by needing to mesh the values of the institution with the expectations of the staff hired from outside the institution" (Hughes, 2011, p 21, 22).

The curriculum is also subject to fit – to some extent – the local circumstances (see for example Li and van Baalen 2007; Prowse and Goddard, 2010; Willis, 2004, 2005). An important issue is the potential mismatch between programme contents and host country's social norms and regulations. Host governments may impose a set of restrictions on the higher education provider. Moreover, content-wise some of the teaching materials in specific subjects may clash with the host country's cultural or religious values (see for example Schapper and Mayson, 2004; Smith, 2009). This point leads Green *et al.* (2008a, p 19) to suggest that international branch campuses are responsible for taking into account the cultural sensitivities when designing and delivering a curriculum.

A case study by Miliszewska and Horwood (2004) scrutinises the impacts of cultural differences on the learning outcomes and emphasises the need for tailoring the curriculum to the local requirements (see also Dunn and Wallace, 2006). The challenge for the university therefore seems to be to localise the curriculum while at the same time trying to offer identical courses, degrees and learning experience to the both groups of students (see also Miliszewska, 2006; Miliszewska *et al.*, 2003). Extending the idea of differences in curriculum to learning styles (see for case studies Dunn and Wallace, 2004; Heffernan *et al.*, 2010) and the student experience (Mohamad *et al.*, 2006; Pyvis and Chapman, 2005) brings Kelly and Tak (1998) to the argument that for a teaching and learning experience to be effective, the curriculum must be adapted to the local context.

While the above hints at adjustments to the local expectations, drawbacks must be mentioned. Many students are attracted by the reputation of the foreign university and wish to see lecturers coming from the main campus. They also expect to be taught and assessed in exactly the same way as students at the main campus. This equality includes the teaching style, the utilised teaching materials, assessments and also the curriculum. An ACE report (2008) on the American overseas programmes and branch campuses says: “[t]he curriculum is a statement of institutional reputation and often the reason that U.S. degrees are sought after abroad, so it is vital to maintain control over the content of individual courses and the degree program” (Green *et al.*, 2008a, p 20). This report brings examples of the City University of Seattle and the Webster University, which offer a uniform curriculum across their campuses around the globe (ibid, p 8). From a quality assurance point of view, the TNHEI is also responsible for offering the same quality across its peripheries, otherwise its integrity and the assumed identical value of the certificates issued at different campuses will be challenged (Hughes, 2011). Some authors, e.g. Biggs (2003), believe in standardisation of curriculum and assessment across borders. This is reflected in e.g. the Missouri State University curriculum offered at the China branch campus; it is claimed to be mirroring the curriculum of the home campus (Helms, 2008). The Monash University’s centralised teaching mode (McBurnie and Ziguras, 2007) is another example for curriculum standardisation.

Coleman (2003) takes a pragmatic stance in the discussion, by arguing that variation in teaching methods and staffing at peripheries is inevitable. He states that students at peripheries cannot expect to receive the same educational experience as those at the main campus in light of differences in academic performance, student demographics, staff qualification, surrounding culture, linguistic factors, accessibility of materials and the existing physical infrastructure.

However, the centralised-standardised model has also been heavily criticised. Schapper and Mayson (2004, p 98) have labelled it as: “Taylorist assault on the professionalism of academic staff” (see also Altbach, 2007). They argue that it imposes restrictions on the professional autonomy and transnational education is

therefore accused of undermining academic values like intellectual freedom, and hence the quality, by centralising the decision-making at the home unit.

It seems that the underlying challenge in the presented dispute is about maintaining academic norms, routines and values versus the notion of economic profitability. No commentator, even proponents of standardisation, has opposed the localisation of curriculum and staff in peripheries as long as similar quality standards are maintained. It has been argued that most of American TNHEIs offer a similar curriculum on their offshore sites with some amendments regarding case studies and assignments to adjust the local themes (Green *et al.*, 2008a, p 7).

2.2.1.1.2. Cultural-societal distance

Although the concepts of culture and cultural distance resonate with some of the elements of the debate above, the literature portrays this factor more generally at the macro-level of higher education systems and countries.

Some of the Western higher education providers have been accused of not respecting local values of non-Western host countries (Wang, 2008), and trying to impose their cultural values and beliefs through their educational systems (but see Alexander, 2000; Tikly, 2004 for a variety of perspectives; Wang, 2008). This has been referred to as “cultural imperialism” (Green *et al.*, 2008a, p 24, 25) or a new way of colonisation and exploitation of developing countries that jeopardises the sovereignty of the targeted countries (Stella, 2006; Ziguras, 2008). Such allegations are of course harmful to TNHEIs both in economic and reputational terms. In addition, local staff might be affected by such critical views, with possibly a decline in the efficiency and effectiveness of the organisation as a result. Moreover, the differences in the cognitions and perceptions between local academics and host academics may result in inconsistencies in the service provision across the institution (see for example Smith, 2009). Therefore, managing the cultural distance is considered a crucial issue (Eldridge and Cranston, 2009).

There are several cultural and cognitive differences among countries, making knowledge transfer across borders a challenging process (see for example Walton and Guarisco, 2007). In a branch campus mode, the knowledge flow is mainly

unidirectional from the home unit to the offshore branch, which points at a potential hierarchical conflict. It also fuels the dispute about the notions of objectification (colonised people being treated as objects of knowledge) and generalisation (colonised people being described as homogeneous), which have been identified as harmful consequences of neo-colonialism (Rhee and Sagaria, 2004). In a similar vein, Chambers (2003) condemns the homogenisation of educational systems across the globe, threatening linguistic and cultural diversity. She sees the trend of standardisation of education dominated by the Western world as a type of imperialism and believes that it undermines the concept of cultural otherness, which is crucial for educational development.

Another aspect of cultural imperialism is the creation of a comparative/competitive advantage that has the potential to outperform local higher education institutions. However, others argue that transnational enterprises would enrich the host country's profile by transmitting tangible and intangible resources. Bhanji (2008) argues that TNHEIs have to conduct some trust-building activities in order to achieve a greater legitimacy in the host country. Social engagement would lead to a higher degree of social capacity-building and development (an important objective of internationalisation and cross-border provision) as well as help to strike a balance between the market forces and state governance.

Some TNHEIs operating in developing countries, are accused of disrespecting the local norms and "assimilating a diverse student body [with various expectations] into an ethnocentrically defined norm" (McBurnie and Ziguras, 2007, p 68). This relatively sceptical viewpoint caveats about the potential harms of standardisation of skills valued by the international labour market, which is seen as an inevitable consequence of globalisation, leading to homogenisation of educational systems (McBurnie and Ziguras, 2007). It argues that a converging trend as such would undermine and thus alienate education from the socio-cultural and political constituents of the host countries (see for example Gu, 2009).

Another element of concern is that TNHEIs operating in developing countries are accused of offering a set of financially profitable subjects such as information technology and business courses and neglecting other subjects that might be very crucial for those countries (McBurnie and Ziguras, 2007). Although governments may

be able to control to some extent what foreign providers offer, it has to be considered that this has a direct negative impact on the tendency of foreign higher education providers to establish a branch campus in that country. Moreover, governmental regulation may be opposed by academics and perceived as an attempt to limit academic autonomy.

The controversy of cultural distance between the education provider and the receiving country can also be addressed through a different lens: cultural difference as an opportunity for students around the world to become acquainted with other cultures. In other words, transnational HEIs aim to teach students in diverse cultural settings (Egege and Kutieleh, 2008).

As in the case of curriculum package and staffing, culture and particularly cultural differences pose both exclusive opportunities and barriers for cross-border provision. The literature reveals some negative views (cultural imperialism), but also shows the positive sides of branch campuses being able to contribute to cultural diversity.

2.2.1.1.3. Regulatory distance

TNHEIs establishing a branch campus in a foreign country are supposed to comply with the rules and regulations of the host country (see for examples Huang, 2007). These regulations can be divided into two categories: trade regulations and quality assurance. The former group of (mostly technical) rules is concerned with import and export of assets, taxation policies, staff recruitment, etc. The latter category comprises the rules and regulations of each country in terms of quality assurance.

While TNHEIs are expected to conform to the regulations set by the host government (see for example Banks and McBurnie, 1999; Huang, 2003; Ohmori, 2004), they must at the same time, maintain the home country quality standards. Some countries issue quality assurance guidelines to their HEIs engaged in transnational education (see for example Catherwood, 2006; OECD, 2005; QQA, 2004; Ziguras, 2007). The obligation to simultaneously conform to different regulatory frameworks may bring along difficulties (see also for the case of Malaysia Banks and McBurnie, 1999).

Quality is a challenging issue for TNHEIs. Different countries may have different guidelines for quality control and assurance (see for more details Bennett *et al.*, 2010; Stella, 2006). Yet there is no one-size-fits-all model of quality assurance. One problem is that some elements of a quality assurance model might be neglected if the importing country assumes the exporting country takes care of that element (or the other way around). In addition, the host state may require the foreign provider to conform to the local codes of quality, while the provider is also supposed to comply with its home country regulations. Some agencies such as the International Network of Quality Assurance Agencies in Higher Education (INQAAHE) and the Association of Southeast Asian institutions of Higher Learning (ASAIHL) have produced quality assurance codes of conduct. Some countries' quality assurance framework may comply with the international models and others may not. Woodhouse (2006) argues that the Australian Universities Quality Agency's (AUQA) procedures are consistent with UNESCO/OECD guidelines (but see for a criticism Blackmur, 2007).

In regard to the limitations set by the host government for foreign providers, some studies show that local providers are more restricted than foreign HEIs because the foreign providers can avoid many aspects of national restrictions such as accreditation (see for example Banks and McBurnie, 1999). Georgia Tech-Lorraine in France and Florida State University in Panama are examples of TNHEIs, which have been exempted from conforming to their host country's regulatory framework for they are offering foreign degrees (Green *et al.*, 2008a). Moreover, host governments often see the foreign providers as contributors to national capacity building. However, they are, at the same time, responsible for protecting the domestic clients of the foreign educational services and ensuring quality enhancement of their local sector. Therefore, some countries, like China (after 1995), set up regulatory frameworks which assess the foreign provision of higher education but still treat the foreign providers favourably (Helms, 2008).

2.2.1.2. *Synopsis and discussion*

The main managerial challenges pointed out so far, reveal that the major underlying challenge is the dilemma of standardisation versus local adaptation, caused by the

institutional distance (regulatory, normative and cultural-cognitive distances) between the home and the host country. There are two sets of forces imposed on an offshore branch campus, pulling it into opposite directions. One set of forces such as the need for providing identical learning experiences, the pressure for keeping similar quality standards and the vitality of protecting the reputation, mandates the TNHEI to move towards the standardisation of its undertakings across borders. However, at the same time, the second set of forces compels the TNHEI to undertake localisation strategies. This set includes the necessity of conformity to the host country's regulatory framework and the need for adaptation to the local norms and cultural values of the host country to be able to respond to the consumer demands and forestalling accusations of cultural imperialism and neo-colonialism. Putting it differently, the offshore branch campus has to either homogenise with the local HEIs of the host country (adapt to the local circumstances) or replicate the headquarters, hence being heterogeneous towards the local HEIs. The result of this strategic choice would be a different learning experience for the students. The literature also outlines that the crucial indicators of the transnational learning experience are staffing and curriculum packing and that cultural differences (norms and values) and regulations are the key contextual elements that impact on the organisation of the services abroad. Research activities are hardly addressed in the literature (see for an exception Sidhu, 2009), which is mainly due to TNHEIs' policy of focusing more on teaching activities during the early stages of their development in foreign markets (McBurnie and Ziguras, 2009). This is because undertaking research in the host countries, which are largely from the developing world, requires some time-consuming prerequisite arrangements (Altbach, 2007; Altbach and Balan, 2007). However, there are exceptions like the New York University's Abu Dhabi site, which has branded itself as a research-oriented university (Website, 2011h). Although research activities of TNHEIs in the host markets are limited in general, and thus the patterns of such activities have not been much discussed in the literature, some scholars like Meyer (2006), have stressed the importance of locally relevant research. He outlines the concepts of context-specific knowledge and variables. The example of Nottingham's China campus carrying out research on energy-efficient solutions for constructions in China represents a movement in that direction (McBurnie and Ziguras, 2009).

Although the literature – in a scattered way and often largely implicit – does address elements of the phenomena of standardisation and adaptation, it is far from clear what the strategic implications are. Moreover, from the above review of the literature, it is clear that some of the commentators' views are largely dichotomous towards one of the two extreme options. We now turn to the strategic management and international business literature, which provides a theoretical ground for us to argue that the choice is not so much between the two strategic directions, but that it boils down to finding a balance between the two.

That literature – focusing on multinational enterprises (MNEs) – posits that institutional distance (Eden and Miller, 2004; Kostova and Zaheer, 1999; Xu and Shenkar, 2002) between countries causes difficulties for transnational companies. Institutional distance reflects the amount of similarities and dissimilarities between the regulative, normative and cultural-cognitive profiles (Scott, 1987, 2008) of home and host countries (see the next chapter for an elaboration). This line of argumentation is extended to TNHEIs. We do not argue that TNHEIs are similar to transnational companies (in terms of their objectives, products and services, etc.), but do argue that the strategic dilemmas are basically the same.

In the next section, we first introduce the I-R paradigm and review the relevant literature. Then we apply it to TNHE. It will be succeeded by reconceptualising and synthesising the different elements and construct an analytical framework.

2.2.1.3. The I-R paradigm in the strategic management literature

The strategic dilemma in the strategy literature is known as the global integration versus local responsiveness (I-R) paradigm. The two ends of the strategic spectrum reflect two extremes; implementing these simultaneously is impossible, but neither can they be neglected. The global integration strategy is a strategy in which an MNE produces similar products or services at the subsidiaries in different countries. Conversely, the local adaptation strategy is a strategy in which an MNE produces

different products/services, each of which is tailored to the local circumstances of the country in which the subsidiary is located. The dichotomy revolves around the question of prioritising the homogeneity of international markets or the heterogeneity of market preferences. Therefore, central to this debate is the notion of standardisation-adaptation of a firm's international marketing strategies including their policies regarding their products, pricing, people, communication and distribution (Birnik and Bowman, 2007; Cavusgil and Zou, 1994; Cheon *et al.*, 2007; Chung, 2008; Kustin, 2004; Solberg, 2000; Tai and Pae, 2002; Theodosiou and Leonidou, 2003; Zou and Cavusgil, 2002).

It has been argued that employing a standard (globally integrated) marketing mix strategy can promise a greater opportunity and higher performance in the international marketplace (Kustin, 2004; Roth, 1995). Proponents of this argument believe that standard products and brands bring along many advantages for multinational enterprises mainly due to the ability of reaching economies of scale, hence lower costs of production (Alden *et al.*, 1999). However, some other findings do not support this argument (see for example Samiee and Roth, 1992). That is, discussing the heterogeneity of markets, transportation time, different trade regulations in different countries, etc. the importance of local adaptation of marketing strategies has also been emphasised (see for example Calantone *et al.*, 2006; Dow, 2006). Although the concept of standardisation versus adaptation has been extensively discussed in the marketing literature (e.g. Barker, 1993; Birnik and Bowman, 2007; Kanso and Nelson, 2002; Solberg, 2000; Subramaniam and Hewett, 2004), it has also received a lot of attention from business and management scholars (e.g. Figueiredo, 2011; Ghemawat, 2007b; Meyer *et al.*, 2010). The importance of this notion for business and management scholars is that it has a crucial impact on the firm's strategy and structure as well as considerable implications for the parent-subsidiary relationship in multinational enterprises (Schmid and Kotulla, 2011).

The dyadic approach towards standardisation strategy emerged as Douglas and Wind (1987) suggested a paradigmatic view to the strategic dilemma upon criticising Levitt's (1983) idea on the globalisation of markets. Levitt (1983) emphasised the growing similarities of desires around the world and thus suggested that markets were moving towards global homogenisation. Based on this argument, he advised global companies to underpin integration strategies and thus produce standard products for all of their markets. In contrast to Levitt's argument, Douglas and Wind (1987)

suggested the strategy of adaptation to different target markets and of exploitation of opportunities by taking advantage from differences. They pointed out that international asymmetries do matter and emphasised local responsiveness strategies. They did not reject the standardisation view outright, but argued that it may not apply to every industry and every product. In the same vein, Prahalad and Doz (1987) emphasised the tension between these two strategies, hence the introduction of the global integration - national responsiveness trade-off. The positioning of the two extremes and the existing rationales for both perspectives at the same time, induced De Wit and Meyer (2004) to coin the dichotomy a strategic paradox, which represents a situation that one option is true while the contradictory option is simultaneously true (see also Ghemawat, 2007a).

Apart from the argument of variations in demands in different countries, there are a number of other endogenous and exogenous factors, which influence the MNE's strategies. Yip (1989) discusses the benefits of pursuing global integration strategy such as cost reduction, improved quality of products and services, enhanced customer preference and increased competitive leverage (see also Kobrin, 1991). Both Yip (1989) and Korbin (1991) do not deny the role of localisation determinants and the need for multi-domestic strategies, but stress the existing demand for global integration.

On the opposite side, Luo's (2001) study focuses on major elements that lead an MNE to implement a local responsiveness strategy. Building on the work of Birkinshaw, Morrison and Hulland (1995) he believes that the degree of integration-responsiveness depends upon MNE's contextual configuration and organisational dynamics. He also argues that environmental factors, including environmental complexity, business specificity and cultural distance, play a role. For instance, complex environments imply uncertainty and risks and without a local responsiveness strategy, a firm's profitability may be in danger. Cultural differences are seen as a barrier and undertaking the local responsiveness strategy seems to be cutting the cultural gap short.

It has been argued that pursuing either of these strategies depends on a number of factors such as the ability of the firm to implement the strategy and on the type of

industry (Samiee and Roth, 1992). It must be noted that making a strategic change in either direction would result in a structural change in the fundamental configuration of MNEs. Gates and Egelhoff (1986) argue that whilst adapting to local circumstances, decision-making within MNEs becomes more decentralised; the global integration strategy leads to a more centralised decision-making system. On the one hand, organisational practices are diffused from the parent unit to the subsidiaries and on the other hand, subsidiaries have autonomy to make localised decisions. In other words, the paradoxical nature of the I-R dichotomy can be also observed in the structure of MNEs.

The above discussion clarifies the nature of the strategic dichotomy. However, the managerial solution is yet to be discussed. We know the importance of the demand for both strategies and we are also aware of the potential tensions between the two poles. We now look at the solutions offered in the literature to accomplish both extremes simultaneously.

Bartlett and Ghoshal (1987) identified three different types of multinational organisations. The global organisation is a type of MNE that focuses on world market without much attention to national and local expectations. This type of MNE suggests a high level of integration and standardisation. The second type is the MNE that tries to exploit economies of scope through differentiation by focusing on national-local needs and expectations. This type follows the idea of loose integration and adaption to local markets. The third type identified by Bartlett and Ghoshal (1987) is the transnational organisation. Transnational organisations try to respond to both global and local forces at the same time. In other words, they seek economies of scope and scale, coordination-integration and local responsiveness-differentiation simultaneously (Jarillo and Martinez, 1990).

Further work by Jarillo and Martinez (1990) offers a diagram with two dimensions and four quadrants.

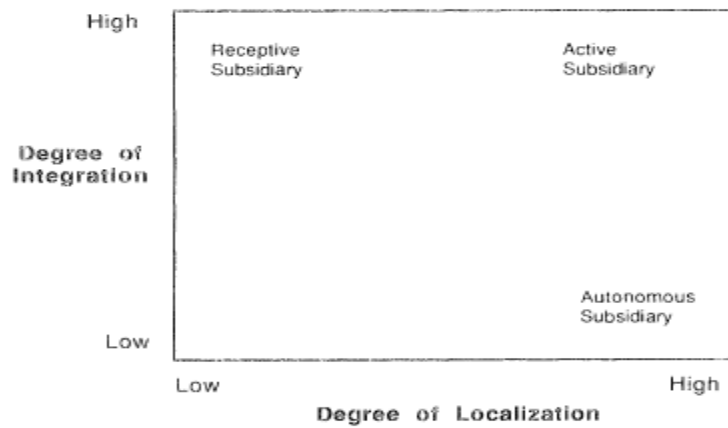


Figure 2-2- Integration-localisation typology

Source: Jarillo and Martinez (1990, p 503)

The horizontal axis represents the degree of responsiveness and the vertical axis shows the degree of integration. The diagram distinguishes different types of subsidiaries based on their position regarding the I-R dichotomy. Accordingly, a subsidiary with a high degree of integration and low degree of responsiveness is labelled as receptive subsidiary, while a high degree of integration with a high degree of responsiveness characterise an active subsidiary. An autonomous subsidiary is identified by low level of integration but high responsiveness. They left the fourth quadrant (low level of both attributes) empty; Taggart (1998) labelled this the quiescent subsidiary.

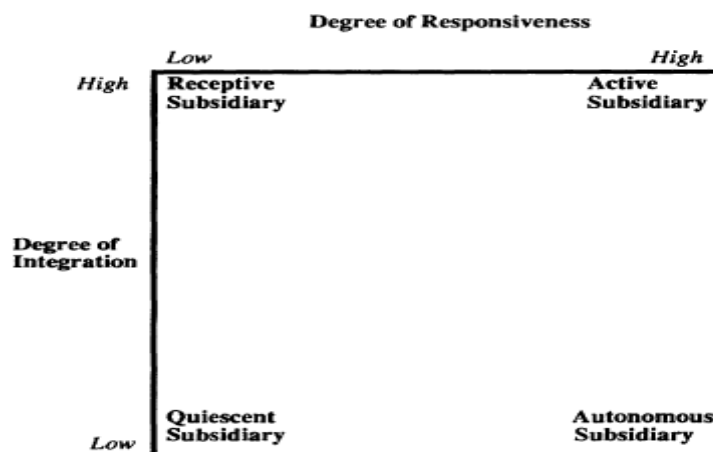


Figure 2-3- Integration- responsibility typology

Source: Taggart (1998, p 666)

2.2.1.4. *The I-R paradigm in the context of TNHE*

Translating the findings from the strategic management literature to TNHEIs leads us to the following argument. Managers of TNHEIs are supposed to address both ends of the spectrum in order to create a competitive advantage. For this purpose, they need to gain at least a minimum level of legitimacy in the host country. To be able to prosper in the competitive market, they need to deploy their resources and respond to the market requirements in both home and host countries. On the one hand, TNHEIs need to standardise their curriculum, staffing and research endeavours across borders to assure that students across their campuses will be receiving the same service (learning experience). On the other hand, the cultural-cognitive, normative and regulative distances (Scott, 1987, 2008) between the operating domains, compels the institution to accept a certain amount of adaptation to the local circumstances (local responsiveness). If the TNHEI ignores environmental pressures and adaptation requirements and sticks to its standards (i.e. providing exactly the same curriculum and using native staff at the home and branch campuses), the institution's legitimacy may be jeopardised. They run the risk being accused of cultural imperialism, new colonialism, etc. Moreover, not complying with the host country's regulations may cause the host government to clamp down on their activities. Such failure in the host country would negatively affect the reputation of the (home) institution and possibly other branches.

If the TNHEI would conform completely to the adaptation forces and deviate from its organisational standards, the branch campus runs the risk of losing its internal legitimacy. It means that the institution's integration will be breached across borders and students cannot be assured that they are receiving the same educational service (of the same quality) and hence their certificates may not be perceived to be of the same value by employers. Therefore, a TNHEI can ignore neither global integration nor local responsiveness; it has to address both sides simultaneously.

2.2.1.5. Re-conceptualisation

Drawing on the literature of TNHE, we highlighted the most critical managerial issues that such institutions are facing. We subsequently demonstrated that these problems are revolving around a strategic dichotomy (I-R paradigm). Accordingly, we suggest a new framework for conceptualising the activities of TNHEIs from a managerial perspective. By applying this framework, the lengthy list of hardships and problems, which are discussed in the scattered literature of managing TNHEIs can be reconceptualised in a simpler and structured way.

As mentioned earlier, research and teaching activities are the main activities of TNHEIs that are bound to the tangible and intangible resources. If the degree of integration is high and the degree of local responsiveness is low, the branch campus of the TNHEI represents the type of the receptive subsidiary. This means that the curriculum would be packed at the home campus and sent down to the branch campus and academic staff would be seconded from the home campus to the offshore branch campus. However, if the degree of integration is low while the degree of local adaptation is high, the branch campus would play the role of an autonomous subsidiary. Under these conditions, academic staff would be recruited locally and they would have autonomy to change the curriculum and adapt it to the local needs. The local needs include both mandatory adaptations required by the host government and voluntary courses of adjustments, which are underpinned by the TNHEI in pursuit of a higher performance for the institution. The latter one, in other words, is concerned with a type of change that addresses the satisfaction of the target market, hence an increase in the legitimacy of the TNHEI in the host country.

For research activities, which are the other set of core activities of HEIs, the literature does not show many insights. However, an ACE report (2008) on the internationalisation of doctorate-granting universities (based on a survey conducted in 2006) identifies the level of internationalisation by quantifying the number of programmes and research themes with a focus on “issues, trends, and perspectives outside of Western Europe, Canada, and Australia, often referred to as a non-Western requirement” (Green *et al.*, 2008b, p 37). This notion is used in this research to evaluate the localisation-standardisation of research activities in TNHEIs. Hence, we

argue that the local adaptation strategy in terms of research is relevant to giving incentives and producing facilities for the researchers to direct their research topics to the local context of the host country. Not encouraging the researchers to concentrate on local issues can be interpreted as standardisation of research activities.

A branch campus of a TNHEI is more likely to play the role of an active subsidiary when the institutional distance between the home and the host country is very small. Therefore, the two opposite strategies would not face a strong contradictory challenge. In theory, if a TNHEI can manage to turn its branch campus into an active subsidiary by maintaining a high degree of local responsiveness and of global integration, they have arguably reached the ideal position. However, in reality, large institutional distances make this scenario less likely to occur. Finally, the quiescent branch campus represents a poor alignment between the undertaken strategies and the external requirements.

Obviously, these are extremes and what happens in reality is a combination of these: in the three areas of curriculum packing, staffing and research, HEIs make a choice regarding to what extent these three areas are (or will be) globalised or localised. This is represented in the figure below.

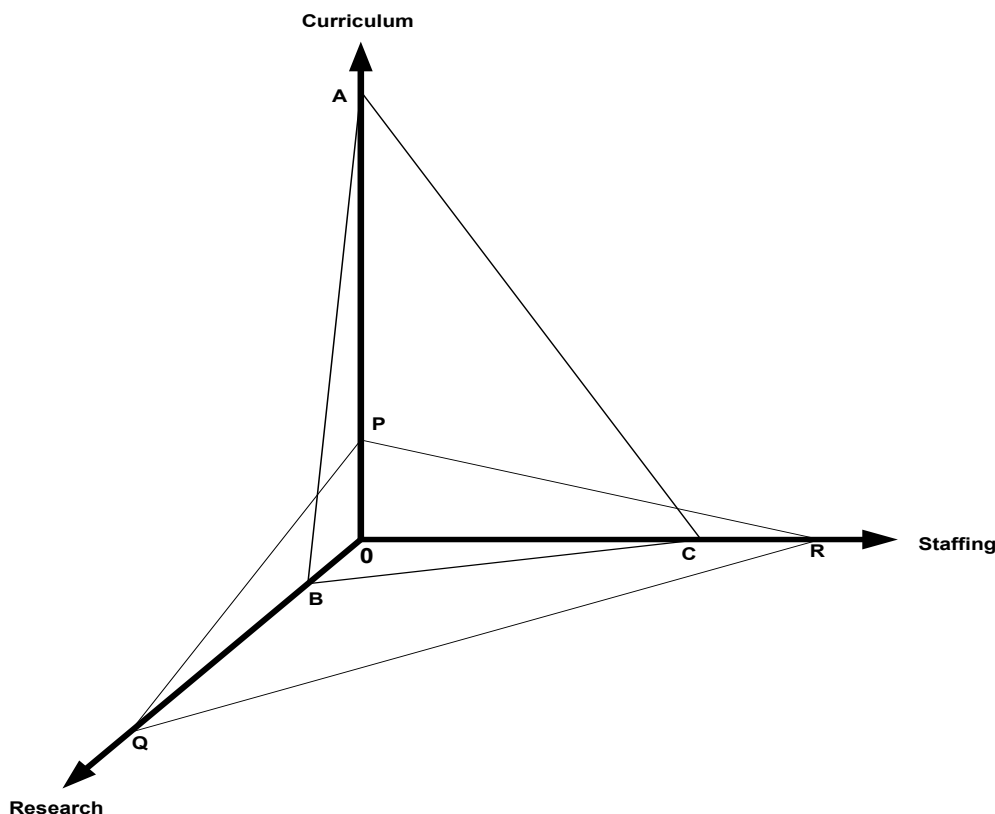


Figure 2-4- The I-R dichotomy for three areas: research, staffing and curriculum

Source: Shams and Huisman (2012, p 120)

In figure 2-4, the I-R dimension is presented on three different axes: curriculum, research and staffing. Each axis depicts the degree of localisation of that element. At the zero point, the branch campus is mirroring the home campus fully. The degree of local adaptation of the offshore branch campus in terms of each element can be visualised for each axis. This gives us three points on the three axes. The shape and position of the triangle, which appears as the result of linking the points delineates the strategic orientation of the TNHEI in relation to the I-R paradigm. Two examples are presented in the figure. The ABC triangle represents a branch campus, which has a high degree of autonomy in localising the teaching contents and the number of local academic staff are relatively higher than other staff. However, in terms of research they have not noticeably concentrated on the locally related issues. The PQR triangle demonstrates a branch campus with high degrees of localisation in terms of staffing and research, while the teaching material has been standardised to a great degree. We realise that the axes of the model are not fully independent. For instance, a standardised universally-packed curriculum can get a bit of flavour of local practices

if taught by local staff. In other words, localisation of staff has an impact on the localisation of curriculum, bearing in mind that the relationship is not straightforward: it largely depends on how much control the local lecturers have been granted over the content of teaching materials. Another reflection is that the model is currently built around the themes we found in the literature (staffing, curriculum) or could not find in the literature, but for which we put forward arguments to include (research). If other dimensions are recognised in the future, they can be added to the framework, although the visual presentation would become problematic.

It is – based on the available literature – not possible to determine what the best strategy would be, apart from the fact that we argued that the extreme positions would seriously increase the vulnerability and harm the sustainability of the operation. It has to be stressed that the position of a TNHEI depends on numerous factors, including the host country regulations and the market requirements. In other words, some of the factors are beyond the control of the organisation. However, the framework assists managers and leaders to bring the patterns of their activities to the fore in an insightful way. Linking the positioning to the most influential environmental factors and conditions, it allows for an analysis of strengths and weaknesses. For instance, if a TNHEI's model is similar to the PQR triangle, and it is being criticised for cultural imperialism, one sensible solution would be to give more autonomy to the staff (which is already considerably localised) to tailor the content of their subjects to the local conditions. This can happen in different ways, e.g. local and host country lecturers interacting with each other in the course design (McBurnie and Ziguras, 2007). It may be possible to keep the core subject standard, while localising elements such as case studies. A model such as the ABC triangle is less likely to face accusations and criticism for undermining the local values – “lack of local attentiveness” in Green et al's (2008a, p 15) words – unless for its research activities. However, it may be criticised for not offering the same curriculum as offered at their home campus. This problem can have different solutions such as clarifying the objectives to the broader public or/and standardising the curriculum to a larger degree.

2.2.1.6. Chapter summary and conclusion

The findings in this chapter contribute to both the analytical and practical undertakings in the field of transnational higher education. It sheds light on the fragmented body of the literature, which depicts a large set of managerial ramifications, accompanied by a number of solutions offered for each individual issue. This chapter also revealed that some of these solutions are highly dichotomous and there is no fundamental analytical tool that facilitates understanding and explaining the managerial ambidextrous concepts in the field of transnational higher education. Focusing on the similarities between the structure of TNHEIs with offshore branch campuses and multinational enterprises, a conceptual framework was constructed that incorporates theoretical concepts from the management discipline and contextualise them for TNHE. The framework is able to portray the strategic orientation of a TNHEI on three axes. It delineates the extent to which the institution has relied on its ownership advantages, local-specific advantages or both in order to benefit from the internalisation advantages. Accordingly, it triggers guided action for strategic change towards finding a more suitable alignment between the onshore and offshore resources. Whereas we focused on three axes - arguably the key dimensions - the framework is flexible and can be expanded. We acknowledge that the model can be developed in more detail, but think it is sufficiently robust for further empirical exploration. We do not argue that practitioners, managers and policy-makers are not aware of the importance of undertaking standardisation and localisation strategies. However, we assert that firstly, the I-R dichotomy is a central issue to the debate and secondly, the developed management-theory-based framework is needed to simplify analysing the strategies of TNHEIs in light of numerous external and internal factors. Recent studies have also made it evident that the concept of equivalence of learning experience at the home and the host campuses (standardisation) is very crucial. For example, a recent discourse analysis of the codes of practices from three major higher education exporters, namely USA, UK and Australia, compared the given interpretation of equivalence in TNHE in these documents. This study (Smith, 2010) revealed that the three documents have not imposed any restriction on the TNHEIs to deliver fully identical programmes at their offshore sites, but they have stressed the provision of comparable standards and emphasised on the consideration of local needs. This example further supports the point of this chapter that the global

standardisation-local adaptation is a central strategic dichotomy in the field of TNHE. Nevertheless, the developed framework in this paper goes beyond this and contributes to clarifying and accentuating the dimensions on which the concept of equivalence must be strategically managed. The framework, obviously, is a means (analytical tool) to the end of finding the best set of positional strategies for TNHEIs, and thus needs to be further tested. Therefore, an important next step would be to (re)analyse TNHEI case studies and to discover effective (and less effective) strategic practices. In the empirical part of this research (chapter 5), we investigate the positional strategies of six offshore branch campuses.

Now having discussed the challenges of positioning in the host country and the dimensions of positional strategies of TNHEIs, in the next chapter, by reviewing the literature of MNEs, we will identify the factors that cause the evolution of MNE subsidiaries on the I-R continuum.

Chapter 3

Strategic management of multinational
enterprises: literature review,
reconceptualisation and model building

CHAPTER THREE

Introduction to chapter

The aims of this chapter are firstly to identify the external and internal imperatives, which influence the change of subsidiaries' structures and strategies towards either adopting a local model or homogenising with the headquarters; and secondly to move towards constructing a field-proprietary theoretical model that takes into account the specific characteristics of TNHEIs. The most pertinent feature of such organisations is their hybrid structure (public-private), which has not been addressed by the common MNE models for most of these models are built in the for-profit context and thus are unable to shed light on the nonprofit side of hybrid organisations. The focus of the literature on multinational organisations is on for-profit MNEs and the number of studies on multinational nonprofits (MNNPs) is very limited. Reviewing the extant literature in this chapter, it will be argued that none of the models created for MNEs and MNNPs is appropriate per se to provide a robust analytical ground for studying hybrid organisations such as HEIs (Gumport, 2000; Gumport and Snyderman, 2006; Weisbrod, 1998; Weisbrod *et al.*, 2008) that mix the elements of for-profit and nonprofits. Therefore, in the first part of this chapter, the relevant literature on MNEs is reviewed, especially in relation to the theoretical debates on the evolution of subsidiaries on the I-R paradigm. Consideration of concepts and terminologies, such as local embeddedness, parental mandates and subsidiary entrepreneurship, will help foster the construction of a theoretical model and the identification of the independent variables contained within (addressing RQ2). However, since TNHEIs are neither fully for-profit nor fully nonprofit, but have a strong realised publicness (Feeney and Welch, 2012), due to their long nonprofit history, as well as a “for-profit [side] in disguise” (Weisbrod, 1998, p 11) thanks to the increase of business-like activities (Dart, 2004), the second part of this chapter is dedicated to the purpose of addressing these characteristics that differentiate TNHEIs from other types of multinational organisations. In addition to the hybrid structure, the second part of this chapter contains discussions on the characteristics of TNHEIs as knowledge-intensive professional service firms and transnational service providers. Accordingly, arguing that a new theoretical model is needed to come to terms with the idiosyncrasies of

TNHEIs, in the third part of this chapter a new model is constructed. The model that synthesises a variety of components is developed so as to explain subsidiary's stance on the I-R continuum. More specifically, the aim of this model is to identify the main forces, which are contributing to this evolution. It explains how the evolution takes place in the light of: the parent-subsidiary relationship, institutional distance, market initiatives, strategy and structural configuration of the enterprise. The construction of the model allows for an appraisal of the impacts of the identified factors on the process of localisation, that goes beyond a simple juxtaposition of theories and a mapping of the different forces exerted on a subsidiary. In this regard, firstly, it introduces a new definition of localisation drawing on the concept of subsidiary evolution. Secondly, it demonstrates the main internal and external drivers of localisation by addressing different theories and resolves the paradigmatic tension between two key perspectives. Thirdly, it accentuates the role of market initiatives in subsidiary evolution and relates this to structural configuration and corporate strategies of an MNE and finally, it elucidates multilateral aspects of subsidiary movements by illustrating a map of influential issues and highlights the anomalies in the extant theories.

The reliance of the model on multiple theories is in line with the argument of Greenwood and Miller (2010) that conjoining different theories is a necessity for studying complex organisations.

Part 3.1. Multinational enterprises

Over the last few decades, a considerable number of researchers have studied multinational enterprises. This attention has been stimulated by globalisation of economies and the advent of technology, which has supported the growth of international business endeavours, thus resulting in an increase in the number and size of multinational enterprises (MNEs). Birkinshaw (2001, p 380-388) has provided a good picture of the different strands of the MNE literature and the empirical and theoretical studies that have been carried out in this area, regarding which he has identified four streams: strategy-structure, headquarters (HQ) – subsidiary (S) relations, MNE process and the subsidiary role. The two foremost streams take a holistic approach to MNE, while the two lattermost focus on a particular part of an

MNE. Moreover, Birkinshaw (2001) argued that this split represents the strands of MNE literature up to 1990 and the subsequently research direction that followed, focusing more on the subsidiary role. Within this strand, researchers have addressed the specialised roles of MNE subsidiaries (see for example Bartlett and Ghoshal, 1987; Birkinshaw and Morrison, 1995; Cantwell and Mudambi, 2005; Davis and Meyer, 2004; Gates and Egelhoff, 1986; Jarillo and Martinez, 1990; Paterson and Brock, 2002; Taggart, 1998), the evolution of subsidiary role over time (see for example Birkinshaw and Hood, 1998; Delany, 2000) and information flows within a subsidiary network and the headquarter-subsidiary relationship (see for example Taggart, 1998).

Along with the empirical works, some scholars have carried out theoretical research and the main schools of thought that have emerged in the MNE literature relate to: cost-based theory, network conceptualisation, the resource-based view and institutional theory (Birkinshaw, 2001, p 387,388). These approaches are considerably diverse. For example the cost-based theory describes the way that MNEs create firm-specific advantages and transfer them (e.g. Rugman and Verbeke, 2001), which can hence explain the reason for the cross-border activities of a firm, while the resource-based view (Barney, 1991) is concerned with reaping competitive advantage by deploying resources. Moreover, other academics have looked at the local resources that can be accessed by MNEs (see for example Hennart, 2009). The network approach concentrates on inter-organisational links and decision-making processes, whilst the institutional theorists focus on the external/environmental isomorphic pressures on a subsidiary (e.g. Rosenzweig and Singh, 1991).

Although the focus of this research is on subsidiary development, it is important first of all briefly to consider the complexity of MNEs as a whole. Regarding this, the geographical, cultural and institutional distances between the home and the host countries have all contributed to making the nature of MNEs rather complex. This complexity results in institutional-cultural conflicts: “Interaction processes in MNCs are particularly prone to conflict because by definition MNCs are arenas of institutional and cultural plurality” (Blazejewski, 2006, p 3). Moreover, the international network perspective introduces the concept of transnationalism, where “transnational corporations conceptually represent the highest order of complexity integrated and differentiated, reciprocally interdependent, dynamic organisation

forms, that operate across complex contexts marked by the heterogeneity and plurality of environmental variables” (Mohan, 2006, p 105). This complexity along with the multidimensional construction of organisations has led to major difficulties for researchers when investigating the transactions within MNEs on a cause and effect basis.

Turning to the main interest in this undertaking, the process of subsidiary localisation is to be considered as a type of evolution towards local adaptation. This engages the competing concepts of the parent-subsidiary relationship and the network view with the external isomorphic forces that pressurise the subsidiary to conform to the local circumstances. That is, this pull-push phenomenon, which is referred to as *institutional duality* (Kostova and Roth, 2002) is explored in depth in this chapter. However, the story of subsidiaries, as with MNEs, is far more complicated, for, in particular they can operate as active nodes in the network in an entrepreneurial way. Therefore, the subsidiary’s response to market initiatives (Birkinshaw and Fry, 1998; Malnight, 1995) must be dovetailed with the previous streams.

In this part, all of these issues are discussed, with the evolution of subsidiaries serving a pivotal role. After exploring the different types of complexities, subsidiary entrepreneurship, strategy and structure in the context of MNEs are discussed.

3.1.1. Legitimacy-related Complexities in MNEs

Legitimacy is taken as the starting point, given that a key aspect of competition in higher education is reputational type (Geiger, 2004; Marginson, 2009; Nguyen and LeBlanc, 2001; Sin, 2009; Williams and Van Dyke, 2008). To win a reputational contest, gaining and sustaining/defending legitimacy through both substantive and symbolic practices are necessities (Ashforth and Gibbs, 1990). The concept of organisational legitimacy has been defined differently (see for a comprehensive review Deephouse and Suchman, 2008), but the most commonly used definitions describe it as the general assumptions and perceptions toward the appropriateness of activities of an organisation as they exhibit alignments with the social norms, values and beliefs of a society (see Suchman, 1995, p 574). It is noteworthy to mention that organisational legitimacy is not the same as organisational reputation or the status of

an organisation (Deephhouse and Carter, 2005), but – according to Deephouse and Suchman’s (2008, p 66) trichotomy – it directly impacts on these two factors. This focus on legitimacy leads to detailed consideration of the work of Kostova and Zaheer (1999), because this puts the legitimacy-related complexities of MNEs at the centre.

Kostova and Zaheer (1999) defined organisational legitimacy as the organisation’s acceptance by its environment. Rosenzweig and Singh (1991) argued that organisational structures and processes are affected by a variety of environmental forces, some of which are specific to the host country and others are global in nature. Therefore, under this perspective subunits face, simultaneously, a pressure for conformity to conditions in the local environment and an imperative for consistency within the multinational enterprise. This concept has also been referred to as the need for internal and external (dual) embeddedness (Figueiredo, 2011; Meyer *et al.*, 2010; Tavares and Young, 2005). The fragmentation of institutional environments and the exposition of subsidiaries to different sources of authority add to the complexity of constructing and sustaining legitimacies in different domains. That is, the complexity of building and sustaining legitimacy in MNEs implies building it in each subunit and building legitimacy for the whole organisation. According to Kostova and Zaheer’s (1999, p 64) typology, the organisational legitimacy is shaped by three elements: the institutional environment’s characteristics, the organisation’s characteristics and the legitimation process by which the environment builds its perceptions of the organisation. Here it is deemed appropriate to consider the complexities of MNEs in these three separate categories, bearing in mind that in practice, these categories are not completely separated.

3.1.1.1. Complexity in the institutional environment

The first type of complexity, identified by Kostova and Zaheer (1999), in relation to legitimacy, is the existence of multiple domains in the institutional environment. “Institutions are multifaceted, durable social structures made up of symbolic elements, social activities and material resources. [Institutions] are resistant to change” (Scott, 2008, p 48). The notion of institutions has been embraced differently by institutionalist scholars (see for example Meyer and Rowan, 1977; Pfeffer and

Salancik, 1978; Zucker, 1977). Regarding this, Scott (2008) has suggested that an institution consists of three pillars: normative, regulative and cultural-cognitive. The regulative pillar includes laws and regulation in the society, which are mainly imposed by the government. It is true that an organisation might be able to indirectly influence some regulations in the long term but to be legitimate it has to comply with those rules. The cultural-cognitive pillar is about social psychology and general acceptance by the society. In other words, it is a societal taken-for-granted status, to which any organisation has to adhere. It is also about the internal perception and interpretation of a phenomenon that is shaped by the external cultural framework (Scott, 2008, p 57). The normative pillar goes beyond the cultural-cognitive structure to the domain of social values. That is, it refers to the routines in procedures, roles, strategies, etc. that show the way work must be done in order to be socially legitimate (Scott, 2008, p 54-56). It is important to reiterate the three domains are not completely separate. Kostova and Zaheer (1999, p 70) suggested that legitimacy in the normative and cognitive domains may impose more difficult challenges to MNEs, compared to the regulative domain, because they are characterised by a high degree of tacitness. The term “tacitness” in this case represents the degree of difficulty to observe and interpret phenomena. Therefore, amongst the three mentioned pillars, the easiest to assess is the regulative domain, while the normative and cognitive domains are more implicit.

The second type of complexity in the institutional environments of MNEs is the “many and varied country institutional environments” (Kostova and Zaheer, 1999, p 68). That is, an MNE encounters different institutional environments in different countries and so it has to comply with different laws and regulations (regulative pillar), different social values, beliefs, perceptions, etc. (cultural-cognitive and normative pillars) in different countries, where it is operating. This raises a set of serious challenges and obviously, the more subunits the organisation has, the greater the degree of complexity. However, opponents of this view would argue that the larger the number of subsidiaries for an organisation, the more able that organisation would be to build a competence of managing diversity, due to the extensive organisational experience in building and sustaining legitimacy (Kostova and Zaheer, 1999, p 71).

The third type of complexity in this context is institutional distance between the home and host environments. This concerns the similarity between regulative, cognitive and normative institutional environments of the home and the host countries of an MNE. For the greater the distance, the greater the difficulty in building legitimacy in the host country is to be expected (Kostova and Zaheer, 1999, p 71), hence more complexity. The degree of this complexity largely depends on the asymmetries between the institutional profiles of the home and host countries. The sum of these asymmetries is called the “institutional distance” (Kostova and Roth, 2002; Kostova and Zaheer, 1999; Xu and Shenkar, 2002) and this concept, which leads to institutional duality, will be explained in detail in subsection 3.1.1.2.1.

3.1.1.2. Complexity in organisations

This type of complexity covers the institutional duality that subsidiaries of MNEs face. More specifically, it concerns the parent-subsidiary relationship in terms of the institutional distance between the home and the host countries in which the MNE operates. The concept of institutional duality is a delicate matter that requires in-depth explanation.

3.1.1.2.1. Institutional Duality

An MNE, by definition, has at least one subsidiary in a different country, nearly always having to operate under different conditions to the parent. That is, the pillars of institution (Scott, 1987, 2008), which have been named the “institutional profile” by Kostova and Roth (2002), are different in different environments. As a consequence, the regulative, cognitive and normative pillars vary from one country to another. This variation causes complications for an MNE’s operations, with the distance between the parent’s institutional profile and the local institutional profile being a key element in determining their level. Moreover, a subsidiary of a multinational company is under an isomorphic pressure, exerted by the institutional profile of the host country to become homogenised with other firms operating in the same field in that country (Geppert *et al.*, 2006). This pressure is exerted on the subsidiary through: coercive, mimetic and normative channels (DiMaggio and Powell,

1983). The subsidiary is apparently forced to comply with the rules and regulations of the host country. This pressure for conformity is related to the coercive type of isomorphism. Moreover, a subsidiary would be indirectly forced to homogenise with other similar actors in the field as it uses local employees. In other words, the cognitive and normative pillars would pressurise the subunit through the employees (Kostova and Roth, 2002, p 218).

However, a typical subsidiary of an MNE is under another isomorphic pressure from the parent unit at the same time and hence, there is institutional duality. That is, being a part of the same organisation, the parent will have an interest in homogenising its subunits. Andersson and Forsgren (1996) addressed this tensional duality, explaining it as the need for embeddedness of the subsidiary against headquarters' desire for control, whilst Geppert et al. (2006, p 1453-1456) referred to the same concept as MNCs institutionalising and being institutionalised at the transnational level, throughout its transnational organisation and at the national level in the home and host countries.

In some cases MNEs support the diversity of units themselves by the parent granting various levels of autonomy for the subsidiary to localise its practices. Nevertheless, it has to be realised that even within that kind of organisations, there are still invariably strong interlinks between the parent organisation and its subsidiaries. Grosse (2004) pictured every multinational enterprise as an octopus with different tentacles reaching out across national borders to pull business activities into the body of the organisation and these tentacles mandate inevitable isomorphic pressures on subsidiaries of an MNE. Kostova and Zaheer (1999) described internal isomorphic pressure as a within-organisation domain that defines a set of pressures to which all units within the organisation must conform. Furthermore, the decision made by the parent organisation is inherently influenced by the institutional profile of the parent country. This means that the distance between the institutional pillars of the parent and the host country matters, for the greater this is, the more difficult it is for the subsidiary to comply with these dual forces. That is, the subunit could struggle to achieve both external (institutional profile of the host country) and internal (isomorphic pressure from headquarters) legitimacy at the same time (Kostova and Roth, 2002). In sum, a

foreign subsidiary is under two types of pressure: localisation and standardisation (De Wit and Meyer, 2004, p 554) .

Rosenzweig and Singh (1991) depicted this institutional duality on two axes as shown in figure 3-1 below, where the pressure for isomorphism with the local environment is the Y-axis and the pressure for consistency within the multinational enterprise is the X-axis.

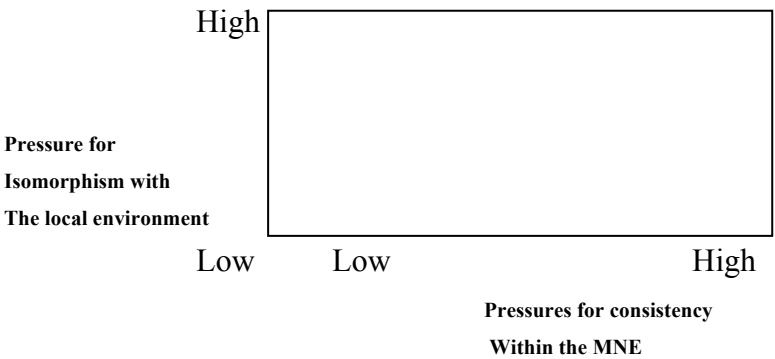


Figure 3-1- Institutional duality on two axes

Source: Rosenzweig and Singh (1991, p 347)

However, in the case of foreign subsidiaries this requires a third axis as illustrated in figure 3-2.

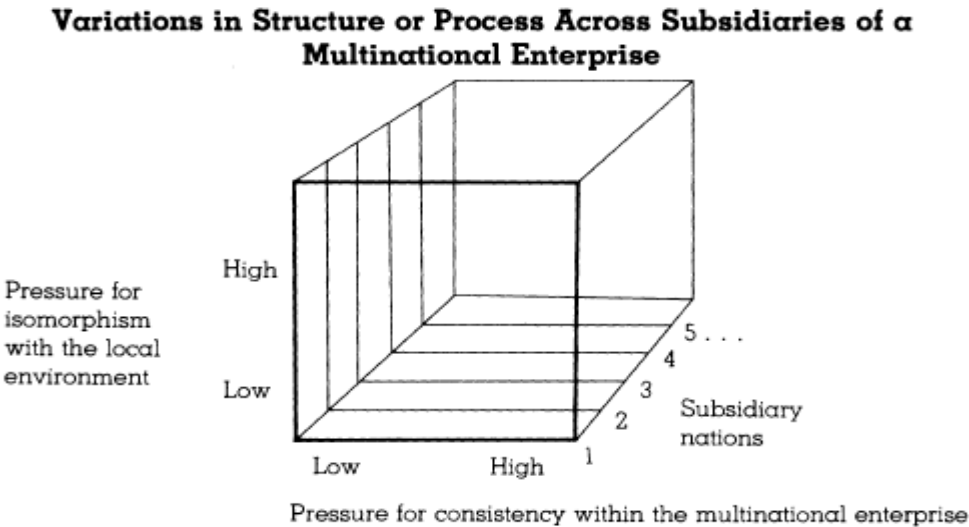


Figure 3-2- Variation in structure of process across the subsidiaries of an MNE

Source: Rosenzweig and Singh (1991, p 348)

In the diagram, foreign subsidiaries in different countries have been presented on the axis Z, because the duality pressures vary from one country to another, which results in a varied pattern of structures and processes across the enterprise as a whole. That is, the figure shows the duality forces separately in every single host country and also the distance between the host country and the parent, but when modelling an MNE as a whole this requires a fourth dimension to depict other elements of structure or process. That is, the entire MNE is conceived as a vector of coordinates along four axes: pressure for local conformity in the host country, pressure for consistency within the MNE (internal legitimacy), country location of the subsidiary and the element of organisational structure or process (Rosenzweig and Singh, 1991).

The way a subsidiary responds to institutional duality has been discussed in the literature, with Kostova and Roth (2002) suggesting that the adaptive response of practices mandated by the parent unit of a subsidiary comprises behavioural and attitudinal components. These two components are the actual implementation of the practice and the internalised belief in the value of the practice. These authors argued that the variation in this response reflects the different levels and configurations of these two components. They also suggest that a subsidiary's response to the parent's initiative is influenced by the former's managers' interpretations and perceptions of the practice, which are shaped by the external institutional context and the internal relational context of the organisation. Regarding this, they may interpret the practice from the parent as a coercive compulsion or they may view it as having inbuilt flexibility. Thus, considering the amount of autonomy given to the subsidiary and the degree of centralisation/decentralisation of decision-making in that organisation is a prominent factor in its trajectory.

It is important to note that as time passes subsidiaries evolve (Birkinshaw and Hood, 1998) in response to the environmental and relational forces. There is the possibility that a subsidiary becomes as strong as the parent or even stronger and thus there will be spill-over towards the parent. Under these circumstances, there are reciprocal forces between parents and foreign subsidiaries. Regarding this equality, from a resource-based point of view, Tempel et al. (2006) declared that the relationship between the parent and the subsidiary can shift towards one where the latter is able to

build up resources that are useful to the parent and the company as a whole. As a consequence, the dependence of the parent on the subsidiary increases. Taylor et al. (1996) posited that in such cases, although the parent company attempts to have more control over the subsidiary, its greater reliance on the subsidiary increases the latter's power to resist such controlling efforts (Tempel *et al.*, 2006, p 1549). Regarding this, Oliver (1991) argued that the greater the degree of constituent multiplicity, the greater the likelihood of organisational resistance to institutional pressure. Moreover, she argued that where organisations face incompatible and competing demands from different constituents, conformity may be impossible because the satisfaction of one constituent often requires the organisation to ignore or defy the demands of another (Oliver, 1991, p 161).

Birkinshaw (2001) reviewed the relations between a subsidiary and its parent through the concept of subsidiary strategy versus subsidiary role. According to this view, a subsidiary's role is assigned to it by the parent company while a subsidiary strategy, by contrast, suggests some level of choice or self-determination on the part of the subsidiary. The level of conformity to the assigned practice by a subsidiary apparently relates to the process of decision-making by its managers. From this, it can be seen that subsidiary strategy and role can be seen as two conflicting things that need to be reconciled. That is, a subsidiary manager would not be able to ignore practices assigned by the parent, but may not be willing or able to implement them completely. Moreover, the practice that the parent attempts to have followed has been formulated in the MNE's home institutional context, whereas the way in which the subsidiary perceives and interprets the practice is subject to a different environment and different institutions. Kostova and Roth (2002) defined three characteristics to assess this relation between parents and subsidiaries: dependence, trust and identity (Kostova and Roth, 2002, p 218-220) and these are discussed in some detail in subsection 3.1.1.2.1.2.1.

While Kostova and Roth (2002) emphasised the inter-relation between a parent company and its subsidiaries, Tempel et al. (2006) focused on relationships between the subsidiary's managers and the local constituents. Regarding these, they pointed out that the high levels of dependence on the local environment can stem from the close relationship that subsidiary management has with local stakeholders, such as:

governments, trade unions or works councils, who can influence their actions mostly through regulative mechanisms. Hillman and Wan (2005) concurred that in addition to efficient and effective management, relationships with local entities and overall external legitimacy are indispensable.

In sum, according to Birkinshaw and Hood (1998) the evolution of subsidiaries is a multi-phased (Delany, 2000) process dependent on environmental and relational forces. This points to the concept of institutional duality that was introduced by Kostova and Roth (2002), whereby an MNE exhibits a parent-subsidiary relationship that is affected by institutional distance between the home and the host country. That is, schematically this pulls the subsidiary in two opposite directions. The natures of these pressures are both isomorphic, in that the subsidiary is drawn into having to conform with the parent and the host institutions simultaneously, which means that there is a constant state of flux. The environmental and relational forces require further explanations, as discussed next.

3.1.1.2.1.1. Environmental pressures

Environmental pressures include the external forces on a subsidiary that may have an influence on its decision-making. There are different ways to address these external forces, which comprise a wide range of different types, from cultural and societal constituencies to regulatory restrictions imposed by the governments of the host country. Other than these, the rules of the game in the host market and patterns of competition are considered as environmental pressures. The institutional theory literature provides extensive coverage of these issues, wherein the institutional pillars are considered to be capable of encapsulating all the external forces that are exerted on a subsidiary through its operating environment. The relevant issues in relation to institutional pressures, such as *institutional distance* and *liability of foreignness*, are discussed in detail, later in this chapter. Moreover, specific attention is paid to the market initiatives and the mechanism of a subsidiary's response to them, under the topic of subsidiary entrepreneurship.

3.1.1.2.1.2. Relational pressure

Relational pressure exists between the parent and the subsidiary in a multinational enterprise. Many studies have focused on parent-subsidiary relations in MNEs, such as those of Bartlett and Ghoshal (1987; 2004), Birkinshaw and Morrison (1995), Kostova and Roth (2002) and Luo (2003). The existing literature on parent-subsidiary relations provides two major perspectives: the institutional view and the resource-based view. As is explained later, there is a potential tension between these two perspectives, which lead to two completely distinct conclusions about subsidiary evolution. In this part, first the parent-subsidiary link through these two lenses is discussed and subsequently, a third model that synthesises these perspectives, is introduced.

3.1.1.2.1.2.1. Parent-subsidiary link through institutional lens

According to Kostova and Roth (2002) the parent-subsidiary relationship can be assessed through three characteristics of: dependence, trust and identity, the levels of which, they claimed, determine the degree of practice adoption by the subsidiary. They defined the dependence of a subsidiary on headquarters as the belief held by subsidiary managers that the subsidiary relies on, and is contingent upon, the support of the parent organisation for providing major resources, including: technology, capital and expertise. In other words, dependence reflects the notion of subordination and control and thus represents a non-symmetrical, hierarchical nature of the relationship between the parent and subsidiary. Kostova and Roth (2002, p 219) defined the trust of a foreign subsidiary in its parent organisation as a common belief within the subsidiary that the parent: 1) makes good-faith efforts to behave in accordance with commitments, both explicit and implicit, 2) is honest in whatever discussions preceded such commitments, and 3) does not take excessive advantage of the subsidiary, even when the opportunity is available. Conversely, the level of identification conveyed upon a foreign subsidiary by the parent organisation is defined as “the degree to which subsidiary employees experience a state of attachment to the parent” (Kostova and Roth, 2002, p 220). This shows a sense of belonging to the organisation by the employees and has a considerable impact on the adoption of a practice, assigned by the parent organisation.

Subsidiaries' responses to mandates by the headquarters vary from full compliance to a high level of alteration of the required practice. Kostova and Roth (2002, p 217) called these two extremes *implementation* and *internalising*, whereby the former equates to a full compliance with the headquarters preferred practice, whilst internalising involves a high degree of change to the practice before or in the process of its adoption. In a similar vein, Oliver (1991) identified five strategic responses to institutional pressure:

<i>Strategies</i>	<i>Definition</i>	<i>Tactics</i>
Acquiescence	Acceding to institutional expectations	habit imitation compliance
Compromise	Conforming to institutional expectations but compliance is only partial	balance pacifying bargaining
Avoidance	Organizational attempt to preclude necessity of conformity to institutional expectations	concealment buffering escape
Defiance	Unequivocal rejection of institutional expectations	dismissal challenge attack
Manipulation	Organizational attempt to actively change or exert power over the content or sources of institutional expectations	co-optation influence control

Table 3–1- Type of adoption of practices by subsidiaries

Source: Oliver (1991, p 152)

That is, the content of this table presents five different types of adoption of practice by a subsidiary ranging across the two aforementioned extremes. Acquiescence from Oliver's (1991) stance, would appear to be synonymous with the strategy of implementation in Kostova and Roth's (2002) definition and manipulation for the internalising strategy. Moving from acquiescence down towards manipulation, the degree of compliance of the subsidiary to the parent decreases, but the degree of implementation does not necessarily depict a high degree of dependence, trust and identification. That is, a subsidiary might be implementing a practice for legitimacy reasons without believing in its real value for the organisation, which has been termed ceremonial adoption by Kostova and Roth (2002, p 220). They argued that this is

likely to happen when the regulatory institutional profile of the parent is strongly enforcing the practice, whilst the cognitive and normative profiles are less favourable. It is logically expected that the more the subsidiary's strategy becomes closer to implementation, i.e. acquiescence, then the higher the internal legitimacy it would achieve and vice versa.

In addition to ceremonial adoption, Kostova and Roth (2002) identified three other patterns of adoption, which are: active, minimal, and assent. In the active adoption group, subsidiaries implement the practice to a high degree, strongly believing in the value and efficiency of it and this represents the deepest level of adoption (closest to the implementation extreme). The minimal adoption group with low levels of both implementation and internalisation is characterised by people who do not believe in the values of the assigned practice by the parent. Whilst the assent adoption group believe in the value of the practice, but display the lowest conformity to the parent in terms its implementation. These patterns of adoption are illustrated in the following table, based on the work of Kostova and Roth (2002) and the empty cells represent that those areas were not mentioned by Kostova and Roth (2002).

Feature Patterns of adoption	Identification	Trust	Dependence	Implementation	Internalisation	Favourability of cognitive/normative profiles	Level of diffusion within MNC
Active	High	High		High	Low	High	Very High
Ceremonial				High	Low	High (<i>High regulation</i>)	High
Assent		High	High	Low	High	Low	Low
Minimal	Low	Low	Low	Low	Low	Low	Very Low

Table 3–2- Summary of Kostova and Roth's (2002) implications

Table 5 shows that for the active group the level of compliance to the parent by a subsidiary of this type is high, as managers and operatives in the latter trust the parent and therefore believe the practice to be efficient. Moreover, they are being highly identified by the parent, which results in a stronger relational tentacle. The minimal group is at the other end of the spectrum, exhibiting low levels of: trust, identification and dependence, which intensify the idiosyncratic behaviour of these subsidiaries. The ceremonial group is closer to the implementation side of the spectrum, but although it is also subject to pressure of regulation in the host country, there is no distinctive specification regarding its identification, trust and dependence. Arguably, if the subsidiary's dependence on the parent organisation is high, whilst there are low levels of trust and identification, then the likelihood of ceremonial adoption increases. Supporting this argument, Kostova and Roth (2002) pointed out that low levels of trust and identification would automatically result in a greater amount of uncertainty regarding the outcome of the received practice and the perceived pressure to adopt. On the other hand, conformity to the parent's mandates would increase the internal legitimacy of the subsidiary, which eventually may lead to a higher degree of identification of that subsidiary by its parent company. Trying to strike a balance between these two major forces, the subsidiary would be highly likely to undertake ceremonial adoption, which as explained above, involves implementing the practice despite not believing in its efficiency and value. The minimal group's behaviour supports Oliver's (1991, p162) proposition that "organisational entities will resist adoption when they do not agree with and value the intentions or objectives that institutional constituents are attempting to achieve in pressuring the organisation."

The assent adoption group consists of those subsidiaries, where the managers believe in the value and efficiency of the practice, but are still unable to implement it. The reason for this can be actual weakness or lack of ability to apply the order owing to some aspect(s) of institutional distance. That is, the favourability of cognitive and normative institutional profiles shows the level of comprehension and acceptability of the practice by the subsidiary. In other words, it reveals how alien people in a subsidiary are to the assigned practice by the parent. The parent may exert isomorphic pressure on its subsidiary either through normative, coercive or mimetic channels. Coercive mandates by the parent need no further explanation, whereas normative and mimetic isomorphism pressures are exerted through employees. Regarding these,

“When a unit identifies with the parent, its employees will prefer to become even more similar (isomorphic) with the parent by adopting its practices. All these processes will lead employees of the subsidiary to feel that it is engaging in a mimetic and, more importantly, a normative conformity as it adopts the practice” (Kostova and Roth, 2002, p 220). This shows that the need for identification leads to parent-subsidiary isomorphism, but practising isomorphic behaviour does not necessarily lead a subunit to being more identified by the parent.

3.1.1.2.1.2.2. Parent-subsidiary link through the resource-based view lens

Apart from the institutional theory of organisations, the resource-based view is another dominant conceptual paradigm in the literature of strategic management. Birkinshaw (2001, p 387) reviewing the work of Barney (1991) stated that “under certain conditions a firm’s unique bundle of resources and capabilities can generate competitive advantage”. The main sources of competitive advantage for an MNE are accumulated both at the parent and subsidiary level and they include tangible and intangible resources as well as capabilities and competences. In fact, many resources of a firm are developed and held at the subsidiary level and in addition embedded capabilities are found here, which cannot be distinguished from their local contexts (Birkinshaw, 2001). This underpins the reality that subsidiaries play a key role in creating competitive advantage.

Oliver (1997, p 699) defined the resource-based view perspective as one where resource selection and accumulation are considered to be functions of both within-firm decision-making and extrinsic strategic factors, where: “Sustainable competitive advantage is the outcome of discretionary rational managerial choices, selective resource accumulation and deployment, strategic industry factors, and factor market imperfections. Consistent with a strategic orientation, the resource-based view assumes that economic motives drive resource procurement decisions and that economic factors in the firm’s competitive and resource environments drive firm conduct and outcomes” (see also Barney and Clark, 2007, p 31-48).

3.1.1.2.1.2.3. Parent-subsidiary link through a mixed model lens aimed at sustainable competitive advantage

Scholars have argued that there is a fundamental difference between the resource-based and institutional views regarding subsidiaries. In relation to this, Oliver (1997) pointed out that the proponents of institutional theory assume that individuals are motivated to comply with external institutional forces, while the supporters of the resource-based view claim that they are motivated to optimise available economic choices. That is, institutional theorists justify the motivation of a firm as being through normative conforming when responding to external social pressures, whereas under the resource-based view the main driver is economic betterment. There is also a difference between these two views regarding the variation of structures and strategies of a firm, where exponents of institutional theory see institutional profiles as constraints that reduce variation in firm's structure and resources whilst the resource-based view, based on the factor market imperfection (factors that inhibit the imitation of resources), increases this variation. In other words, through the institutional lens it is argued that as firms are all subject to the same pressures (normative, regulative and cognitive), they would be pushed to undertake, more or less, similar structures and strategies, but for the resource-based theorists competition is emphasised that can result in differentiation and thus different structures and strategies.

Oliver (1997, p 708,709) brought these two views together and introduced a model for a firm to reap competitive advantage and sustain it. For this purpose she coined two phrases: *Resource capital* and *institutional capital*, where the former is defined as value-enhancing resources and capabilities of the firm, whilst the latter refers to the contextual factors that enhance the optimal use of resource capital. Some examples of resource capital are: short production cycles, loyal customer base, superior distribution channels, lean cost structures and superior management-employee relations, whereas examples of institutional capital are: interfirm knowledge sharing, cultures of continuous improvement and management emphasis on resource innovation. In this model, resource capital and institutional capital are considered as being complementary sources of competitive advantage, as set out in table 6 below:

Key aspects	Resource capital	Institutional capital
Definition	Value-enhancing resources and capabilities of the firm	Contextual factors that enhance optimal use of resource capital
Examples	Superior distribution channels, short production cycles, lean cost structures, patented competencies, nonappropriable management talent, loyal customer base, superior management–employee relations	Cultures of continuous improvement, management emphasis on resource innovation, interfirm knowledge sharing, training programs and information technology systems that accelerate resource adoption
Key success factor	Procurement and protection of rare inimitable resources and capabilities	Effective management of the resource decision context
Ways to enhance capital	Formal resource evaluation systems, global benchmarking of resource practices, use of interindustry links for resource information, rewards and promotional advances for resource champions, horizontal communication flows	Incentive systems tied to resource innovations and competency sharing, investment in feedback mechanisms on resource performance, hiring criteria based on resource expertise, team-based structures
Factors that deplete capital	Security leaks, hiring away of key personnel, lack of management emphasis on loyalty, trust, or dependability	Stagnant cultures, management loyalty to outdated traditions, vested interests in the status quo

Table 3–3- Resource capital and institutional capital as complementary sources of competitive advantage

Source: Oliver (1997, p 710)

3.1.1.3. Complexity in the process of legitimation

Having explained the complexities in institutional environments and organisations, it is time to consider the complexity in the process of legitimation; the first type of which is bounded rationality and the liability of foreignness. Regarding this, the perception and the attitude of the society in the host country towards foreign firms is a key factor, which has an impact on the social and cognitive nature of the legitimation process. Moreover, foreignness is a challenge to legitimacy, because of the lack of information about the MNE on behalf of the host environment and also the use of stereotypes and different standards in judging foreign firms. It has also been witnessed that some interest groups in the host country target (in the form of criticism) foreign firms (Kostova and Zaheer, 1999, p 73) .

The second type of complexity in the legitimation process is legitimacy spillovers from outside and within the organisation, whereby the holistic legitimacy of a

company is not independent from the legitimacy of its subunits. That is, the legitimacy built in host countries by subsidiaries will influence the legitimacy of the whole organisation in the parent country and even in other host countries (Kostova and Zaheer, 1999, p 71).

3.1.1.3.1. *Liability of foreignness*

One of the most important concepts in the IB literature is *Liability of Foreignness* (LOF) and another crucial concept in this body of literature is *Cost of Doing Business Abroad* (CDBA), which seems to be very close to the former. However, the degree to which LOF and CDBA is controversial amongst scholars.

Zaheer (1995, p 342,343) referring to Hymer (1976) defined liability of foreignness as “The cost of doing business abroad that results in a competitive advantage for an MNE subunit[...] broadly defined as all additional costs a firm operating in a market overseas incurs that a local firm would not incur”. Earlier, Hymer (1976) had introduced the concept of CDBA, which he claimed should be measured by the advantages national firms have in their home markets relative to foreign-owned ones (Eden and Miller, 2004, p 1). On face value this would appear to be very close to Zaheer’s (1995) definition of LOF, but she subsequently made a clear distinction between the two in a paper in the *Journal of International Management* in 2002 (Zaheer, 2002). In it, she argued that whilst the cost of doing business abroad covers market-driven economic costs, the liability of foreignness is more concerned with the social costs of access and acceptance. Further, she explained that her initial thought had been that these two concepts were the same, but she realised later that they are both important but play distinct roles, as discussed below. Moreover, she identified some examples of structural/institutional costs are faced by a foreign firm for network positioning in the host country, in particular, for making linkages with important local actors (Zaheer, 2002, p 351,352).

Close to but different from Zaheer’s second definition, distinguishing these two salient concepts, Eden and Miller (2004, p 2) expressed the view that LOF is a key component of CDBA. That is, they argued that LOF refers to the social costs of doing

business abroad, which arise from the unfamiliarity, relational and discriminatory hazards that foreign firms face compared to domestic firms, being inherently due to uncertainty and likely to persist over time. Eden and Miller (2004) contended that the key driver of LOF is institutional distance (normative, cognitive and regulative) between the home and the host country, similar to Zaheer (2002, p 352). Regarding this, she pointed to her earlier work, Kostova and Zaheer (1997), in which she stated that institutional costs affect the legitimacy or acceptance of a foreign firm relative to a local firm, as well as the extent of local learning the foreign firm has to engage in. Moreover, Zaheer (2002) expressed the belief that structural/relational costs and institutional costs are not necessarily independent as both reflect the firm's interaction with the local environment in a particular host country. Thus, Eden and Miller (2004) see CDBA as a broad concept, which has LOF as a component, but also includes economic-activity-based costs related to geographic distance. Consequently, the term "Economic activity based costs" (2004, p 2) is a more comprehensive concept than the issue of market-driven costs as introduced by Zaheer (2002). That is, it encompasses all costs of production, marketing and distribution, but nevertheless, these can be termed economic-market-based costs as the activity-based costs are linked in some way to the market costs, which leads to:

$$\text{CDBA} = \text{LOF} + \text{Economic market-based costs}$$

In order to create competitive advantage, a firm needs to overcome and reduce the liability of foreignness, which in turn will reduce the level of CDBA.

Four, not necessarily independent, sources of LOF were identified by Zaheer (1995, p 343) as: "1) costs directly associated with spatial distance, such as the costs of travel, transportation and coordination over distance and across time zones, 2) firm-specific costs, based on a particular company's unfamiliarity with and lack of roots in the local environment, 3) costs resulting from the host country environment, such as the lack of legitimacy of foreign firms and economic nationalism, 4) costs from the home country environment, such as restrictions on high-technology sales to certain countries". Calhoun (2002) identified LOF as concerning the need for conformity to the host country's institutional mandates and divided its sources into two groups: external and internal. The external source includes all the subsidiary's transactions with external

bodies, such as: suppliers, customers, and particularly, governmental agents. The internal source covers cultural differences involving employees, who may willingly conform to the organisation's norms or may wish to ignore parental mandates. Moreover, he argued that a local firm has a potential advantage over a foreign firm, in terms of understanding tacit cultural differences that can influence disfavouredly the LOF of a subsidiary.

Eden and Miller (2004) suggested that sources of LOF can be decomposed into three different hazards that affect foreign firms disproportionately to local firms in the host country: unfamiliarity hazards, discrimination hazards and relational hazards. Unfamiliarity hazards refer to the lack of knowledge of or experience in the host country, where discrimination forms reflect the unfavourable treatment in the host country by: the state, customers, suppliers, etc. and relational hazards include both interfirm and external costs of transactions, which are both expected to be high for an MNE (Eden and Miller, 2004, p 11).

Uncertainty has been considered as one of the major reasons for LOF and Calhoun (2002) identified two types: external uncertainty, related to the unpredictability of the external environment and internal uncertainty, as the inability to predict accurately the firm's agent's performance. One source of uncertainty is lack of knowledge about external and internal situation, in particular regarding the former, a foreign subsidiary is potentially more vulnerable than native firms, because they usually know more about the workings of their market. Therefore, one of the major competitions in a foreign market is the rivalry over accessing knowledge. This is very similar to the concept of *metanationals* introduced by scholars like Doz et al. (2001), for in this relatively new body of literature it is claimed that in the 21st century the core activity for MNEs is the sensing of knowledge in host countries, mobilising it to innovate products and processes and operationalising their production and delivery throughout the MNE network. That is, these scholars have placed the emphasis on knowledge-seeking activities instead of market-seeking activities.

According to Doz (1980), an MNE that tries to reduce its LOF faces a strategic dilemma, involving the economic imperative versus the political one. The economic imperative is a pressure that pushes the MNE to integrate and rationalise all its

activities across borders, which is known as a worldwide integration strategy or standardisation, while the political imperative pushed the MNE to tailor its activities to local demands. The latter process has also been termed a national responsiveness strategy or localisation (Eden and Miller, 2004). The ultimate aim of strategy making (balancing between standardisation and localisation) is to reduce the LOF in the host country so as to enable the MNE to create competitive advantage and hence, it is vital to elicit which is most effective in achieving this. Pedersen and Petersen (1998) surveyed 494 MNEs from Sweden, Denmark and New Zealand and found that managerial discretion is directly related to the unfamiliarity hazards of LOF. Moreover, it emerged that MNEs with a global integration strategy that discouraged local learning and adaptation remained unfamiliar with the local environment years after entry. Luo et al. (2002) argued that MNE strategies that deal with LOF should be separated into offensive and defensive strategies. By offensive strategies, they meant local networking, reduced commitment, legitimacy improvement and input localisation, whilst defensive strategies involve such matters as: contract protection, parental control, parental service and output standardisation. Their empirical findings showed that issuing contracts reduced costs, whereas local networking raised revenues and these together reduced LOF as well as raising MNE profitability in the host country (Eden and Miller, 2004, p 7).

Unlike Zaheer (2002), who used institutional distance in order to study the reasons for LOF, Calhoun (2002) preferred to emphasise cultural differences. Regarding this, Zaheer (2002) expressed the belief that the concept of institutional distance is more comprehensive as it covers some other important issues, such as: politics, ideology and law as well as culture. Nevertheless, Calhoun (2002) explored the cultural components of both external and internal environments, opining that culture affects both environments of the firm in two distinct ways: observable and tacit. That is, the legal, political and societal structures of a country reflect the external cultural aspects, which influence a firm in a foreign environment. In particular, corruption is a key factor that contributes to the creation of uncertainty. Facing corruption, a foreign firm has a significant disadvantage compared to domestic firms, as they know how to deal with it. Calhoun (2002) expressed the belief that corruption is a useful indicator of the tacit part of the culture of the host country, as it can influence the LOF for an MNE entering that particular country. However, the internal cultural conflicts arise from the

cultural distance between employees, mainly managers at headquarters and the offshore branch.

Eden and Miller (2004) drew a linear relationship between institutional distance, LOF and the ownership strategy in which the concept of institutional distance is the main driver of LOF and this mediates the relationship between the institutional distance and the MNE's ownership strategy. The level of ownership can be measured by the percentage of equity held by the MNE in the host country. Under this perspective, the impact of normative, cognitive and regulative institutional distances on the ownership strategy can be explored. These authors also argued that institutional distance between the regulative pillars of the home and the host country refers to the difference in terms of setting, monitoring and enforcing of rules in two different countries (ibid). Moreover, they claimed that the regulative institutional distance has diminished over the past few decades among developed countries, owing to deregulation and liberalisation of national economies and homogenisation, as a consequence of globalisation (ibid). Even some countries in the developing world have increased their regulatory similarities to the developed countries by imitating them (mimetic isomorphism). The higher the regulative distance between the parent and home country, the higher the level of volatility of investment can be expected and hence countries' aim to avoid this. Moreover, as Eden and Miller (2004) have argued, under volatile conditions an MNE tends to hold a low percentage of equity in the host country.

A high normative institutional distance results in more unfamiliarity with the host country's institutions that hinders a proper and effective diffusion of practice by the parent to the subsidiary, thereby acting as an obstacle for an MNE to achieve external legitimacy. The assessment of cognitive distance, which involves the perception of customers and employees of the foreign firm, is more challenging. Eden and Miller (2004) introduced some key hazards, which directly influence this distance: consumer ethnocentrism, country of origin effects, social embeddedness of local firms and proportion of foreign to local firms. Consumer ethnocentrism reflects the favourable perception of local and unfavourable perception of foreigners (Eden and Miller, 2004, p 22). In other words, there is a potential bias against outsiders, which increases the possibility of discrimination hazard. Eden and Miller (2004) argued that the degree of

stereotyping by host country institutions depends on the level of ethnocentrism in that country and choosing a local partner to dilute its level of harshness has been proposed as a solution. However, in some cases being a foreigner has the advantage of *country-of-origin effects* (Harzing and Sorge, 2003; Tallman and Yip, 2003). French wine, Swiss watches and British and American academic degrees are good examples of these. Another good example of the foreign-country-effect is the case of Hungarian organisational learning in the period of transition from a social system to a free market economy, whereby “Hungarian society has been eager to shed the socialist legacy, and therefore, at least during the early years of transition, developed an unusually high appreciation for everything Western. In other words, the non-invented-here syndrome may have been unusually weak in Hungary in the early 1990s” (Meyer, 2007, p 34).

The social embeddedness of local firms is another important factor that requires achieving by a foreign subsidiary and is related to cognitive distance. This social embeddedness is a mechanism by which the economic transactions take place through social networks and non-commercial relationships. Overcoming this would appear to be more difficult for the first entrants when the proportion of foreign firms to the locals is relatively small, for as the host country gets accustomed to foreign firms operating there, this can reduce the level of ethnocentrism. However, there is also the potential threat of further ethnocentrism arising when locals begin to realise that foreign firms are dominating their market.

In short, the cost of doing business abroad encompasses two components, the activity-based costs and the LOF, with the latter being the tacit part of these costs. While geographic distance is the main cause behind activity-based costs, institutional distance determines LOF and this has been categorised into three major hazards: unfamiliarity, relational and discrimination. Moreover, notwithstanding that institutional distance is the main driver of LOF, the geographic distance can have some impacts on it by influencing unfamiliarity hazards. Further, creating competitive advantage in a host country by an MNE requires a lowering of the cost of doing business abroad and this acts as a stimulus to undertake strategies to decrease the activity-based costs as well as LOF. Therefore, managing the ownership strategy is

one of the most effective methods of decreasing volatility and uncertainty and thus diminishing the LOF.

3.1.2. Subsidiary entrepreneurship and competitive advantage

Not only does a subsidiary seek legitimacy (external and internal) but also it changes as a response to initiatives, defined as: “a discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources” (Birkinshaw, 1997, p 207). According to the institutional duality theory, as discussed above, subsidiaries of multinational companies are under two isomorphic pressures. On the one hand, they are operating under institutional pressures of the host country, which are basically different from the institutional profiles of the parent country and there is pressure to homogenise with other organisations in the host country. On the other hand, the parent organisation has the goal of making a subsidiary isomorphic with other units of that organisation to maintain the integrity and consistency of the whole firm. In the eyes of a parent firm, the external institutional pressures exerted on the subsidiary are seen as forces that make it idiosyncratic from the parent unit. Consequently, the subsidiary has no choice but to strike a balance between these two opposite forces by implementing strategic and structural changes. It has to be noted that this reflective change is for the purpose of achieving and maintaining legitimacy, both internal and external, which is the minimum requirement for the firm to stay in the game. However, achieving legitimacy as a threshold capability does not guarantee a success in the market place and what drives a subsidiary to improve its performance is managing initiatives. That is, it is likely to need to make structural and strategic changes if it is to respond successfully to an initiative.

Based on the above given definition of an initiative, there is no doubt that this draws upon the resource-based theory. Birkinshaw (1997) supplemented that capturing an initiative is essentially an entrepreneurial process, which starts by identifying an opportunity and culminates in the commitment of resources to that opportunity, which results in the creation of new business activities within the existing enterprise. This raises the dichotomy of market adaptation versus resource leverage, which is discussed later in this chapter. Moreover, entrepreneurship, as Birkinshaw (1997, p 208) claimed, suggests something more than complying with established norms and

guidelines, it implies a “[P]redisposition towards proactive and risk-taking behaviour”.

Further, Birkinshaw (1997, p 209) argued that initiative is “the primary manifestation of dispersed corporate entrepreneurship” and when assessing their impact on subsidiaries, he explained that the subsidiary has managerial responsibilities, which are mostly assigned by the parent, but at the same time, it has the responsibility to respond to entrepreneurial opportunities as they arise (see also Delany, 2000). The reason that subsidiaries are supposed to deal with initiatives instead of/as well as the parent firm is that they are sensors of the organisation in the host country, as they are directly linked to the local market, suppliers and customers. Therefore, it is incumbent upon them to scan the local market for opportunities and threats, and send signals through the tentacles to the parent organisation. Regarding this, Birkinshaw (1997) pointed out that a subsidiary encounters three markets: 1) the local market 2) the internal market and 3) the global market. The local market consists of competitors, suppliers, customers and regulatory bodies in the host country and the internal market comprises head office operations and all corporate-controlled affiliates worldwide, whereas the global market includes competitors, suppliers and customers outside the local market.

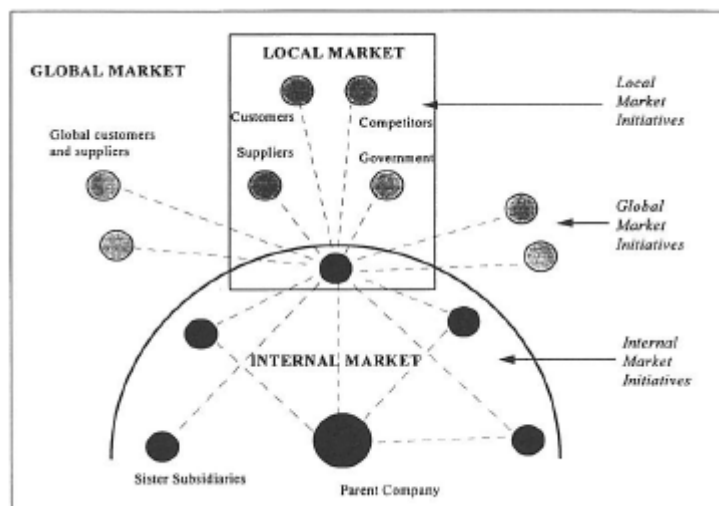


Figure 3-3- Local and global market initiatives

Source: Birkinshaw (1997, p 212)

The internal market in this model refers to the competition amongst different subsidiaries of the same MNE for higher performance and excellence. The local competition is the initial competition that a subsidiary would face, while the global competition is concentrating on the products and markets among nonlocal customers and suppliers. Theoretically, any subsidiary can be stimulated even by global initiatives. In sum, Birkinshaw (1997) concluded that a subsidiary has the potential to enhance the local responsiveness, global integration and worldwide learning capabilities of the MNE, with the implication being that one that shows the ability of harnessing the full entrepreneurial capabilities of its subsidiaries stands to gain competitive advantage.

Combining this argument with the concept of institutional duality, it can be argued that creating competitive advantage in a subsidiary of an MNE relies on both factors of institutional legitimacy (internal and external) and utilising entrepreneurial capabilities. As explained above, the legitimacy element is the threshold and minimum requirement for the firm to survive, whereas the entrepreneurial factor seeks a sustainable competitive edge. Moreover, the issue of legitimacy is based on institutional theory, whilst the entrepreneurial issue refers to the resource-based view. These concepts belong to different schools of thought.

Drawing on Oliver's (1997) work, which is a combination of institutional theory and the resource-based view of organisations, the complementary components of competitive advantage are resource capital and institutional capital. According to this model, harnessing the full entrepreneurial capabilities of subsidiaries is necessary, but not sufficient for creating competitive advantage. Although Birkinshaw (1997) did not explicitly address legitimacy when discussing the harnessing of entrepreneurial capabilities, it would appear reasonable assume that this is implicit to his argument. In other words, internal and external legitimacy must be maintained before any "extra" activities aimed at entrepreneurship and hence, these two stances are not necessarily contradictory. That is, they both emphasise that legitimacy and entrepreneurship are major sources of competitive advantage. Oliver (1997) defined institutional capital as the contextual factors that enhance optimal use of resources and resource capital as value-enhancing resources and capabilities of the firm. Her work does not particularly address MNEs, but it can be applied to their case.

3.1.2.1. Subsidiary initiative process

Subsequent to the local, global and internal sources of initiatives identified by Birkinshaw (1997), a different categorisation, pertaining to two types of subsidiary initiatives was put forward by Birkinshaw and Fry (1998). The focus of this stratification is on the division of responsibility between headquarters and subsidiaries. Regarding this, subsidiary managers may begin to take responsibilities, which require a more central role for the subsidiary in the MNE in terms of implementation of a strategy. Moreover, they may identify new market opportunities and report it back to the headquarters or take actions on their own to exploit those opportunities. Further, they may also leverage their resources to create new opportunities for the firm. These are all related to the level of autonomy given to the subsidiary by the parent.

Birkinshaw and Fry (1998) registered two different types of subsidiary initiatives, external and internal (see also Birkinshaw *et al.*, 2005). The former arise out of customers' unmet demands in the local market place and through the interaction with: suppliers, competitors, government bodies and customers. In fact, this process begins with the identification of a new business opportunity in the local environment of the subsidiary. By contrast, the internal initiative process starts from identifying opportunities inside the corporation, like activities currently performed by other units and planned corporate investments. The entrepreneurial components regarding these two forms, as witnessed by Birkinshaw and Fry (1998) in their study, are the eagerness of subsidiary managers to gain currency for their projects at the headquarters and the sceptical reaction of headquarter managers on the other side.

A three phase model of initiative process has been identified by Birkinshaw and Ridderstrale (1999, p 151), involving: conceiving the initiative through identification of an opportunity, gathering support from the organisational system and finally, implementation. These phases are not necessarily sequential and may have some overlaps. These authors also highlighted a number of dimensions for measuring success in this process, stating that: "If an initiative is to lead eventually to a new business activity for the corporation it seems logical that it needs to gain resource

allocation, market approval and organisational legitimacy” (Birkinshaw and Ridderstrale, 1999, p 151).

In the external process, the subsidiary managers try to identify new opportunities within their local environment (outside the corporation) and plan to take advantage of these. This can only occur under a decentralised resource allocation policy and where a certain level of subsidiary autonomy has been granted. In such circumstances, managers at the subsidiary invest on a small scale without the blessing of headquarters, because they first need to convince its managers of the reasonability and feasibility of the project. Once the viability of the project is established, then it is possible to get more support and investment from the headquarters. If the level of autonomy given to the subsidiary by the parent is low, there is low possibility of seeing new innovative practices being undertaken by the subsidiary in terms of identifying and exploiting new market opportunities.

The internal initiative process is about realising and identifying unexploited opportunities within the corporation. Regarding this, the subsidiary managers already understand their unit’s strengths and weaknesses and seek new activities within the MNE, which can be dovetailed with their capabilities (Birkinshaw and Fry, 1998). That is, the focus of internal initiatives is on the available resources and capabilities of the firm rather than external opportunities and these are more likely to happen under the conditions of: centralised resource allocation, low subsidiary autonomy and strong relationships with the parent. However, under these circumstances, having less autonomy and less access to tangible and intangible resources, owing to the centralised structure, this leaves a subsidiary with few options. Taken to the extreme, if the degree of centralisation is hundred per cent then the subsidiary has no powers to engage with external opportunities. Lacking these powers means that it needs to strengthen its relationship with the parent and be ambitious to hunt for internal opportunities, taking its strengths and weaknesses into consideration. That is, the personal relationship between the subsidiary managers and those at headquarters becomes a key factor. In particular, the subsidiary managers would try to sell more projects to the headquarters rather than concentrating on the local market. In the case of support being received from the parent, the outcome of this process would be rationalisation of existing activities, removal of inefficient practices and optimal

location for new investments: “Unlike external initiatives, which typically avoided confrontation with HQ managers in the early stages, internal initiatives had to pursue a more orthodox line of attack through the formal lines of authority” (Birkinshaw and Fry, 1998, p 55).

Considering the issue of resistance to change by a subsidiary, Birkinshaw and Fry (1998) pointed out that when there is natural internal competition between units, resistance from the corporate immune system (CIS) is inevitable and that this has a variety of forms. One is the passive disinterest of the parent in the practice proposed by the subsidiary. The second type is the scepticism about the subsidiary’s ability to carry out the project and the third type is outright resistance from the parent, because of previous experiences. To address this, Birkinshaw and Fry (1998) introduced a model of internal competition, in which they argued that the external initiatives fall under the category of *market development*, whilst the internal initiatives are in a different category, termed *network optimisation*.

“The network optimisation model has some far-reaching implications. First, it suggests that many value-adding activities undertaken by MNCs are contestable. That is, potentially, they could be performed by a number of different units. Of course, a lot of activities are firmly embedded in their local environment, or they are so large and asset-specific that they could not be particularly moved. Much of what is done inside MNC is neutral with regard to physical location. Moreover, increasingly subsidiaries are seeking to win some of the more mobile activities that are not locked into a single location. The trend, therefore, is toward internal competition as a mechanism through which activities are allocated and reallocated within the MNC” (Birkinshaw and Fry, 1998, p 57).

Luo (2005) expressed the belief that network optimisation is not only the result of competition among subunits, because there is usually an element of cooperation and striking an effective balance between the two is vital for performance enhancement. Consequently, he classified subsidiaries at various stages along a cooperation-competition continuum.

In sum, comparing the work of Birkinshaw (1997) and Birkinshaw and Fry (1998) it can be concluded that subsidiary initiatives have two major types. One is external in which the subsidiary identifies a market opportunity in the environment and makes a move towards exploiting, which can be local (more likely) or global. The other type of initiative is internal competition, which is derived by network optimisation and the physical location of the subsidiary is immaterial.

Being externally market-oriented or oriented towards network optimisation (internal market efficiency), this categorisation does not yet give a full picture of subsidiary initiatives, because whether the initiative has been sanctioned by the parent unit or not has not been considered. That is, up to here the orientation of initiatives at the subsidiary level has been the focus, rather than the issue of parental mandates. Regarding this, the head office may force the subsidiary managers to look for external local opportunities rather than leave it completely up to the subsidiary managers. Top managers at the head office might also trigger competition amongst their subsidiaries to increase innovation within the corporation. These types of initiatives are different from those that are initiated and put into action by subsidiary managers, for in these cases subsidiary managers look for external opportunities or compete in the internal market not simply because of their willingness to enhance the performance of their units, but mainly to conform to assigned practices and strategies designed at the headquarters. Accordingly, the following figure illustrates four distinct types of initiatives.

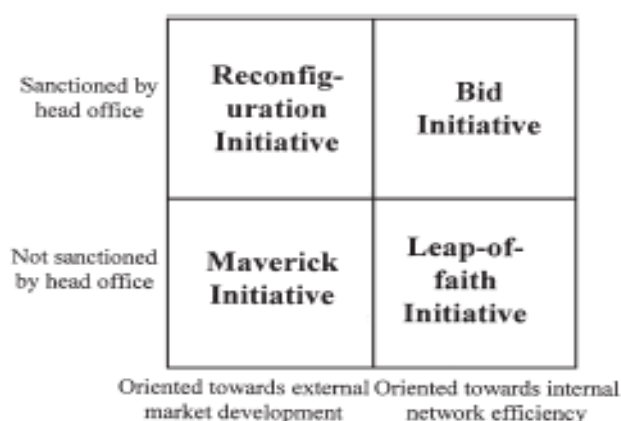


Figure 3-4- Types of initiatives

Source: Birkinshaw (1998, p 358)

When an initiative is sanctioned by headquarters then there is a certain set of rules that the subsidiary is supposed to follow, when not, then either they are unaware of the initiative or are turning a blind eye towards it. Regarding figure 3-4, a reconfiguration initiative is an effort by the subsidiary to change the existing configuration of activities within the corporation to enhance their efficiency without the involvement of head office management. It is true that the main initiative often comes from the head office, but it is fair to assume that the managers at the subsidiary know how to implement the practice much better than the managers sitting thousands of kilometres away. Maverick initiatives are very similar to reconfiguration initiatives in that they are aimed at enhancing the efficiency of the internal market and are undertaken in the absence of being sanctioned by head office. There is a possibility under these circumstances that this ends in an internal anarchy and hence, probably explains why this is the least common among the four scenarios. Bid initiatives are aimed at external market development and are undertaken jointly by top managers and subsidiary managers, whereas leap of faith initiatives are geared towards emerging areas of business without being instigated by head office. Nevertheless, unlike for maverick initiatives there is no party losing out and it is actually more like a punt by subsidiary managers on an emerging market opportunity and top managers trust that they can handle it.

3.1.2.2. Entrepreneurship resistance (corporate immune system)

It was mentioned earlier that the process of taking initiative has three phases: receiving, supporting (resource allocation) and finally implementing it. Therefore, an initiative needs internal firm legitimacy, market approval and resource allocation (Birkinshaw and Ridderstrale, 1999). Moreover, the initiative process is related to the power of the subsidiary in relation to the corporate headquarters. The concept of power has a number of characteristics, such as influence over people's behaviour, relative unique power position against each external party, etc. (Birkinshaw and Ridderstrale, 1999, p 152). These authors categorised power as structural or resource-based, with the former coming from a legal authority, whereas the latter relies on specific resources that are accessible to a subsidiary. Based on this categorisation, they identified two types of subsidiaries: Core subsidiaries and peripheral subsidiaries

(1999, p 153). Peripheral subsidiaries are those that are low on structural power, and also low on resource-based power at the beginning of their life cycle, however, they have the possibility of leveraging their limited resources to pursue their initiatives. Core subsidiaries are the opposite of peripheral ones.

Considering the power perspective, entrepreneurial initiatives by subsidiaries can encounter resistance from the corporate system, which can take the form of bureaucratic reluctance or manipulation. Regarding the former, rejection of subsidiary initiatives by the corporate headquarters is not abnormal, because naturally it does not want to relinquish its power to the subsidiary. This resistance is called the corporate immune system and is “the set of organisational forces that suppress the advancement of creation-oriented activities such as initiatives. The corporate immune system has the task of eliminating or neutralising any alien bodies that find their way into the system” (Birkinshaw and Ridderstrale, 1999, p 153). Birkinshaw and Ridderstrale (1999) explained this conservative behaviour of the corporate system by highlighting that exploitation-oriented issues are always prioritised over creation-oriented activities. This is because, regarding the latter, such initiatives have the intention of changing some norms and routines in the organisation and altering the internal structure of power. Therefore, individuals inside the corporation prefer to work with the current power structure and daily norms, as they consider this carries less risk and as such, is potentially less harmful.

In terms of institutional duality, as previously explained, because the corporate immune system emphasises the resistance of other elements of an MNE against pursuing subsidiary initiatives this provides support for the notion. That is, the standardisation side of institutional duality pressurises the subsidiary to conform to the practices diffused by the parent, thus lower its level of autonomy. However, if a subsidiary pursues an initiative this will enable it to enhance its charter and gain more autonomy. When a subsidiary initiative is identified through the interaction of subsidiary managers with the local environment, it is more likely that a higher autonomy will be granted by the parent, because of location specific knowledge held at the subsidiary. If the corporate immune system resists less strongly, the subsidiary is more likely to be institutionalised in the host country and therefore alienates itself from the corporate network. However, Birkinshaw and Ridderstrale (1999) did not

mention institutional duality in their work, but referred to two layers when modelling corporate immune system. First, they realised the visible manifestation of the corporate immune system and the second layer was interpreted predispositions, such that: “Manifestations are actions/inactions by corporate managers which provide resistance to initiatives such as rejection, delay or request for greater justification, lobbying and rival initiatives by competing divisions and lack of recognition of initiatives by other divisions. Interpreted predispositions are underlying behavioural traits of corporate managers such as ethnocentrism, suspicion of the unknown and resistance to change” (1999, p 158).

In sum, direct rejection is apparently the most straightforward way of dealing with subsidiary initiatives, but managers can also manipulate them, by, e.g. asking for more comprehensive documentation. The significant point in the work of Birkinshaw and Ridderstrale (1999) is that they identified that along with the resistance in the chain of command, other divisions within the organisation would contribute to provide the resistance. They recognised a number of predispositions, referring to the concept of the “*Not invented here syndrome (NIH)*” (1999, p 159). The most important one among those predispositions, as they say, is ethnocentrism. Moreover, they mentioned that the initiative might be internal or external, whereby the latter is received through the identification of an opportunity in the operating environment, whilst the former lies within the firm.

3.1.2.3. Mechanism of initiative taking by subsidiaries

In this part, the mechanism of a subsidiary gaining *distinctive competence* (Selznick, 1957) in an MNE after responding to an initiative is explained in light of parent-subsidiary relationship. That is, the procedure of internalisation of an external initiative at the subsidiary level before turning it to a distinctive competence by considering resource allocation models and knowledge transfer across borders is delineated.

Drawing on the local, global and internal categorisation of initiatives, the aim here is to explore in some depth the underlying patterns of these initiatives. Once a foreign

subsidiary of an MNE is influenced by any type of these initiatives, the role of its managers and their relations with the top management becomes more important. The main aim of taking these initiatives and acting upon them by subsidiaries, either by the sanction of head office or without that, is to develop capabilities of the firm. From a resource-based view (Barney, 1991) a subsidiary is supposed to deploy resources and create competitive advantage for the firm in the local market and globally.

Regarding this, Rugman and Verbeke (2001) investigated the capability-development of subsidiaries and drawing on the resource-based view of an organisation, introduced a framework grounded in the development and diffusion of firm-specific advantage (FSA) and country-specific advantage (CSA). They argued that an MNE can only add value and reach a satisfactory economic level, if it has the ability to build on some type of FSA, which can be location-bound or non location-bound. The latter ones can be diffused throughout the network in a variety of ways and they contribute in different ways to the creation of competitive advantage. Next, there is detailed explanation of the patterns of diffusion of FSAs and their various potential impacts.

The synthetic framework shown in figure 3-5, developed by Rugman and Verbeke (2001), depicts the process of internalisation of initiatives by an MNE as well as knowledge FSA diffusion throughout the company. Although this only refers to one type of FSA, it is clearly of relevance to the distribution of all forms.

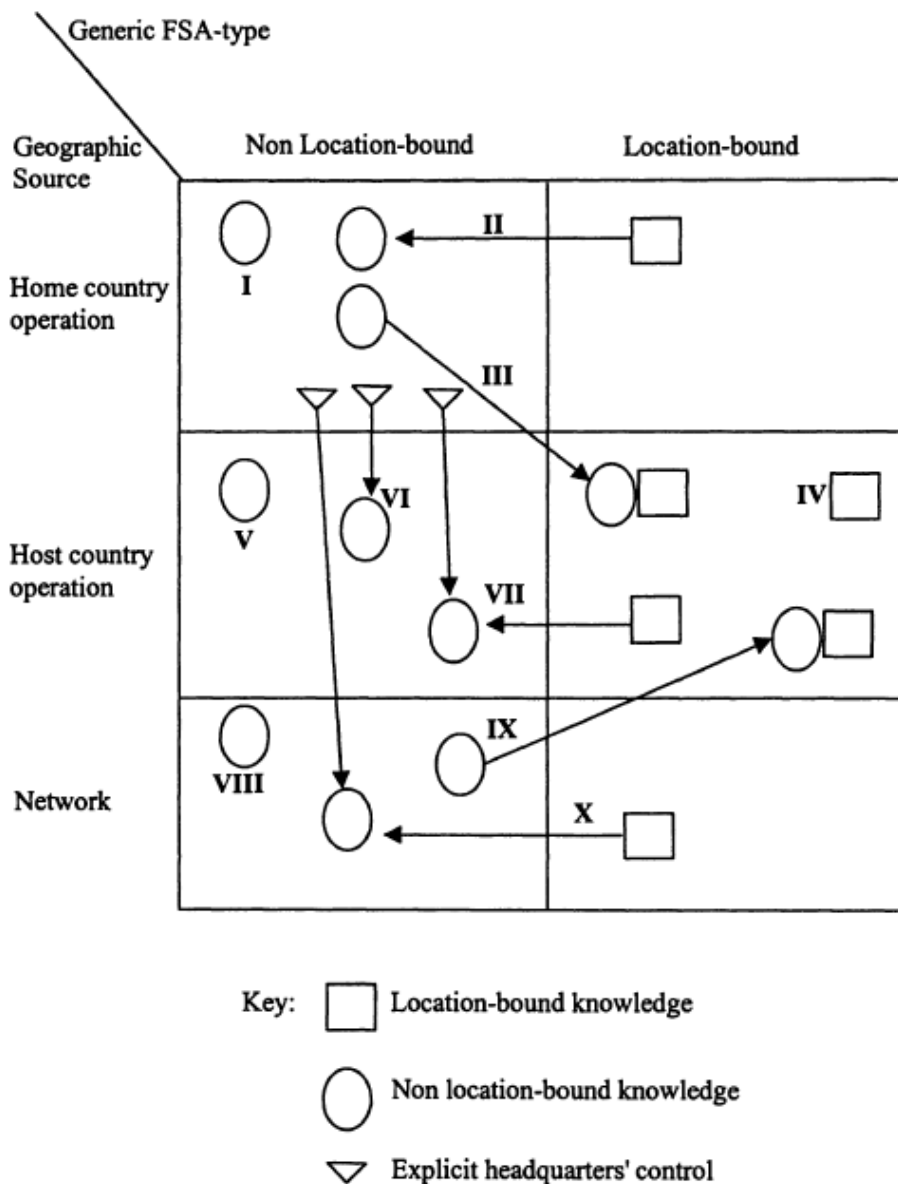


Figure 3-5- The synthetic framework of internalising initiatives and diffusing FSAs

Source: Rugman and Verbeke (2001, p 240)

In the above figure, ten patterns of FSA development and diffusion throughout an MNE are illustrated. The vertical axis presents country specific advantages (CSAs) and the horizontal axis differentiates location-bound FSAs from non location-bound ones. Each of these FSAs can be used for creating competitive advantage for the firm in the international market place. An FSA might be developed internally from three geographic locations in respect to CSAs: host country operation, home country operation and network operation, whereby operations in various countries are involved. Location-bound FSAs are those that cannot be exploited in other places, but

their contribution to local responsiveness is high. Opposite to this, nonlocation-bound FSAs are those that can be transferred to other locations through the network, as little or no adaptation is required for these. The definition of these ten patterns, which are extracted from Rugman and Verbeke (2001, p 241-243) and Verbeke (2009, p 39-49) can be seen below:

Pattern I represents a transferable (non location-bound) FSA created in the home country that can be diffused internationally. This recalls the international and the global types of firms in the Bartlett and Ghoshal's (1987) classification of MNEs.

Pattern II shows a non-transferable FSA that is initially created in the home country to fulfil the local requirements, but subsequently converted to a non-location-bound FSA to be diffused across borders.

Pattern III presents a transferable FSA created in the home country and transferred to the host country and combined with location-bound FSAs that have been created in that host country. This pattern accomplishes both the cross border integration and local responsiveness aspects of cross border operations.

Patterns IV and V, non-transferable and transferable FSAs, respectively, are created in the host country. Pattern V represents a higher level of autonomy for the subsidiary: "Birkinshaw (1997) found that this pattern is facilitated by 'high autonomy, a high level of proven resources and a low level of parent-subsidiary communication'" (Rugman and Verbeke, 2001, p 242).

Patterns VI and V are similar except the former one is diffused and implemented under the headquarters' supervision. Pattern VI is a type of FSA that is, according to Birkinshaw (1997), created based on internal market initiative.

Pattern VII that was called "local market initiative" by Birkinshaw (1997), shows a non-transferable FSA that is created at the foreign subsidiary and then converted to a transferable FSA with headquarters' approval.

Patterns VIII, IX and X show FSAs that are not created in any specific subsidiary or headquarters, but are developed in the network of subsidiaries, which includes headquarters. These FSAs can be transferable or non-transferable ones that can be converted to the transferable type.

Rugman and Verbeke (2001) concentrated on the patterns V, VI and VII, pointing out that these are associated with individual subsidiaries creating and retaining a number of idiosyncratic resources and capabilities, which are not diffused throughout the MNE. That is, some FSAs would be transferred to subsidiaries from the parent unit and some would be generated in the subsidiary itself. Birkinshaw and Hood (1998) identified three interacting drivers of subsidiary evolution: *head office assignment*, *subsidiary choice* and *local environment determinism*, which covers the same ground as Rugman and Verbeke's (2001) two part location-bound and non location bound classification. From this it can be seen that subsidiaries not only generate location-bound FSAs like pattern IV, which can be just used at that subsidiary (local usage) but they also create non location bound FSAs that can be diffused throughout the network (e.g. Patterns V, VI, VII). Any FSA instigated by a subsidiary, belongs to a subset known as *subsidiary specific advantage*.

The important point in the work of Rugman and Verbeke (2001) is the identification of subsidiary-specific advantages, which combines the benefits of global exploitation of know-how with hardship in relation to internal diffusion. In other words, subsidiary-specific advantage is not addressing conventional locally-embedded FSAs like pattern IV, but it represents globally exploitable patterns like V, VI and VII where internal diffusion thereof is not easy. That is, it can be interpreted in a way that in addition to the creation of location-bound and non location-bound FSAs, a subsidiary may generate a third type of FSA, which stands as its core competence in the competition between sister- subsidiaries.

Subsidiary specific advantages are ultimately expected to create sustainable core competence, which is not substitutable and difficult to imitate. Moreover, the creation of subsidiary-specific advantage can intensify the rate of competition among all subsidiaries of the MNE. However, these competencies are usually built upon the knowledge base of the local environment and are embedded in the host country,

which helps it to keep them tacit (difficult to codify) and context specific. Further, the parent is in charge of taking care of synergy between subsidiaries and diffusion of non location-bound FSAs, where “the higher the synergy intensity the more likely it is that the creation of new subsidiary-specific advantages will be stimulated” (Rugman and Verbeke, 2001, p 245). The increasing competition among subsidiaries in an MNE may jeopardise the corporation to some negative externalities on the part of some subsidiaries (e.g. a subsidiary withholds some of resources to win the internal competition) and therefore, the trust of the subsidiary and identification by the parent become important issues.

Drawing on the work of Kostova and Roth (2002), the sustainability of these subsidiary-specific advantages is subject to the level of identification of the subsidiary by the parent. That is, if a subsidiary is highly identified and highly trusted by the parent, its further creation of subsidiary-specific advantages will be supported by the latter, as they are conceived to be value-adding practices to the whole organisation. Drawing on Oliver’s mixed model (1997), the creation of FSAs by those subsidiaries that are highly recognised by their parent, would be addressing the issue of resource capital at the subsidiary level, because they enhance the overall value of the firm by generating non imitable capabilities and competences.

To sum up the mechanism of MNEs responding to market initiatives, the absorption of initiatives by MNEs takes place at two different levels: parent and subsidiary, where they try to create FSAs to respond to these initiatives. Creation of an FSA can be the reflection of the organisation to initiatives received either in the home or in the host country. An FSA created at the parent unit may be used only in the home country, if it is location-bound or it may be diffused to subsidiaries, if it is non location-bound. There is, to some extent, a possibility of converting a location-bound FSA to a non location-bound one and thus, make it diffusible. On the other side, initiatives that a subsidiary is made aware of in a host country can be treated differently.

In order to shed light on the response of subsidiaries regarding those initiatives that come to their notice, Birkinshaw and Hood (1998) identified three categories. Combining their work with the work of Rugman and Verbeke (2001), it can be

concluded that there are four mechanisms with regard to the process of reaction to initiatives by subsidiaries.

- 1- The FSA is created by the parent as a consequence of reflecting on local or global initiatives, received at the parent or subsidiary level. This FSA is then transferred to the subsidiary in the format of the head office assignment.
- 2- The FSA is created at the subsidiary as a response to initiatives it is made aware of in the host country. This FSA is utilised in that particular subsidiary (subsidiary choice).
- 3- The FSA is created by the subsidiary as a response to initiatives it is made aware of, but is then diffused throughout the network and does not remain as specific to that particular subsidiary (subsidiary choice).
- 4- The FSA is created by the subsidiary as a response to initiatives that it is made aware of. It is then be modified to be applicable for the purpose of global exploitation but difficult to be imitated by other subsidiaries.

3.1.3. Strategy syntheses

The I-R dichotomy was previously introduced as the central paradox around which the positional strategies and structures of MNEs take shape. However, considering Porter's generic strategy model raises another paradox, which plays a key role in forming strategies and structures of MNEs, that of: market adaptation versus resource leverage. Therefore in this section, first this paradox is defined and then it is explained how it is commensurate with the I-R dichotomy.

3.1.3.1. Market adaptation Vs. resource leverage

De Wit and Meyer (2004) introduced the paradox of resource leveraging versus market adaption in the strategy-making process of firms. The main discussion is centred on creating sustainable competitive advantage in order to stand closer to the

needs and wants of customers compared to other rivals. By default, they discussed these strategy tensions for a single company at the business level strategy making; however, in this research this paradoxical view will be developed and applied to the context of multinational companies along with cross-border transitions and decision-making issues. Prior to probing into this paradox, it is essential to explain the concepts of competitive advantage and non-conformity challenge, which will aid the understanding of both sides of the spectrum.

3.1.3.1.1. Competitive advantage

Porter (1998) expressed the belief that competition is the core concept of the success and failure of firms and firms try to find a proper competitive position for themselves in the market so as to be able to make profit. “Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition” (Porter, 1998, p 1). The industry within which the firm operates may be an attractive industry but the firm has not undertaken a good competitive strategy and so has not properly positioned in that market or conversely, a profitable firm might be operating in a non-attractive industry. Porter (1980) claimed that the competitive strategy has the power to make an industry more attractive, whilst at the same time the firm could erode its position within that industry through its choice of strategy. Further, Porter (1980) emphasised industry attractiveness as a fundamental determinant of a firm’s profitability.

He proposed a model for assessing different forces in an industry affecting a typical organisation in that industry or sector, known as “Porter’s five forces model”. In response to these external forces, Porter (1980, p 35-40) suggested four generic strategies that a firm may undertake: cost leadership, differentiation, cost focus and differentiation focus. He argued that a long-run sustainable competitive advantage can be achieved by undertaking any of these strategies considering the competitive scope and the patterns of competition in that field. The cost leadership strategy takes place when a firm has a broad target and intends to cover a large portion of the market by offering the lowest price, whilst with the differentiation strategy it does not try to lower the price but offers something different to competitors’ products and services.

Differentiation also has a broad target, but the strategy can be applied to a niche market when the scope is narrow.

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Figure 3-6- Porter's generic model

Source: developed from Porter (1980, p 39)

3.1.3.1.2. Nonconformity challenge

Some scholars, like Porter (1980) and Barney (1991), see distinctive competence as a source of creating competitive advantage. Similarly, from the sociological view of markets the terminology of *Nonconformity in Competitive Repertories* (Miller and Chen, 1996) has arisen. Competitive repertories have been defined as a set of market-oriented activities used by firms to attract customers and compete with competitors (Chen and Miller, 1994). These authors drew on White (1981), who argued that markets are social structures among actors, such as firms, who observe each other's behaviour. Miller and Chen (1996) argued that competitive nonconformity can be seen as a sort of aberrancy: "We found that the nonconformity of market participants arose in part from the social context and in part from their relationship to that context. Specifically, the extensiveness and continuity of a firm's interactions with its market contributed significantly to its level of nonconformity" (Miller and Chen, 1996, p 1227). This view shows that the conventional norms of competition and routine rules of the game in any industry can influence the competitive strategy of a firm and can also be in contrast to the idea of reaching distinctive competence (Porter, 1980).

Moreover, nonconformity may not be appreciated by external stakeholders, such as customers and legal bodies. For more clarification, Miller and Chen (1996, p 1213) introduced some sources of nonconformity, such as: firm size and resources, firm experience, market growth, customer and competitor diversity, etc.

3.1.3.1.3. The view of the paradox

The success of a strategy for a firm comes with the correct alignment between strengths (internal) and opportunities (external), by consideration of weaknesses and threats. If the strategy of the firm is largely driven by external factors (opportunities and threats), the firm is more likely to follow the rules of the game, which have been set by the market. This would cause the firm try to develop its resources in the way that they accomplish its needs in that particular game. However, if the firm's strategy is largely relying on its strengths and potentials, it is more likely to try to change the market norms and build competitive advantage by differentiation.

The historical trajectory of research development in the strategic management field reveals that scholars have been swinging between these two extremes. Hoskinsson *et al.* (1999) studied the theoretical and empirical development of strategic management and identified that the early researchers in this field were concerned with the managerial issues within organisations. Thereafter, some scholars in 1960s changed stance to the outside-in approach, which involved seeing the changes of the organisation's strategy as a response to the changes in the external environments of the organisations (Hoskinsson *et al.*, 1999, p 422). However, the development of the resource-based view (RBV) in 1980s changed the research stream to an inside-out approach that sees a firm as a bundle of resources that must be deployed to create capability and competence for the firm. That is, the research stream was switched again from industrial structures and macro environmental factors to the firm's internal structures and resources (Furrer *et al.*, 2008, p 4). In sum, the attention of scholars to these opposite views and the back and forth movements is similar to a pendulum swinging between two extremes (Hoskinsson *et al.*, 1999).

Factors like governmental regulations, market rules, consumer buying behaviour, power of suppliers and buyers, substitutes, etc. are external elements that may shape the firm's strategy. Some scholars, like Porter, see the strategy-making process starting from external forces. However, if the process of strategy making starts from the evaluation of available resources, the aim would be to find and target those opportunities that are more achievable by that firm considering its strengths and weaknesses. This means that the firm starts playing its own game (non-conformity to competitive repertoires) rather than following the external patterns of competition in the market.

In sum, it is important to note that according to the given definition of paradox, neither the external nor the internal factors can be neglected, as the best alignment of these two sets of factors will lead the firm to ultimate success. The difference is the starting point of the strategy-making process, as it is at this that it is determined whether the emphasis is to be on resources or market opportunities and the subsequently ongoing discussion revolves around strategic positioning. As mentioned, some scholars, such as Porter (1980), emphasised the outside-in way of creating competitive advantage, whilst others, like Barney (1991), discussed the importance of resources.

3.1.3.1.4. Perspectives on the paradox

As explained above, firms should devise their competitive strategies based on the strength of their resources and targeting opportunities in the environment. The main question here is what should be fitted to what? That is, should an organisation adapt itself to its environment or should it attempt to adapt the environment to itself?

3.1.3.1.4.1. Outside-in perspective

Some managers believe that the organisation must be led by the market opportunities and therefore, they prefer the market adaptation strategy. That is, they have an outside-in perspective in their strategy making, believing that firms should not be self-centred, but should continuously take their environment as the starting point when

determining their strategy. Successful companies, it is argued, are externally oriented and market-driven (Day, 1994; Kohli and Jaworski, 1990; Slater and Narver, 1998; Webster, 1992). In short, to the outside-in manager the game of strategy is about market- positioning, understanding, and responding to external developments. That is why the outside-in perspective is sometimes referred to as the positioning approach (Mintzberg *et al.*, 1998).

Opponents of this perspective emphasise the undeniable role of resources in strategy making and argue that market-driven firms are often the first ones to realise new resources and activities need to be developed, therefore they can build a better position due to taking first-mover advantage (see for example Lieberman and Montgomery, 1998). Michael Porter is known as the most influential theorist in the positioning tradition and industrial organisation economics (Hoskisson *et al.*, 1999, p 425). Porter (1980) argued that two central questions underlie the choice of competitive strategy. First, managers must select a competitive domain with attractive characteristics and then they must position the firm vis-à-vis the five competitive forces encountered. He contended that above-average performance results from selecting one of the generic strategies, strongly emphasising competitive positioning as a leading strategy principle and treating the development of firm resources as a derivative activity. Indirectly, therefore, his message to managers was that in the game of strategy it is essential to focus on the external dynamics.

3.1.3.1.4.2. Inside-out perspective

Some managers believe that eventually it is the resources of a firm that makes it win the competition and thus, the market opportunities come second. That is, they argue that a firm must rely on its resource strengths and force its strategies on the market. From this perspective, the strategy formation process starts with the question which resource base the company wants to have. More fundamentally, which difficult-to-imitate competences and exclusive assets should be acquired and/or further refined? Proponents of this perspective hold that for success, a resource should be leading and the markets following. This approach has been labelled as competence-based and

capability based strategizing (Prahalad and Hamel, 1990; Stalk *et al.*, 1992; Teece *et al.*, 1997).

Miller *et al.* (2002) emphasised the value of skills, knowledge, processes, relationships, or outputs an organisation processes or products that are unique and difficult for competitors to copy or acquire (asymmetries), even those that have not yet been turned to economic use. The authors argued that by continually identifying and building on asymmetries, by nurturing and exploiting these within a complementary organisational design, and by leveraging them via an appropriate market focus, companies might be able to aspire realistically to attain sustainable competitive advantage. To make this inside-out approach work they believe that companies must do three things well. First, they must be able to discover asymmetries and to recognise their potential. Secondly, these asymmetries must be developed into a cohesive set of capabilities. Thirdly, market opportunities must be pursued that build on and leverage these capabilities. They also claimed that managers need to find opportunities tailored to their capabilities and that opportunities must also ultimately shape these.

3.1.3.2. Sustainability

While Porter (Porter, 1998) focused on the external environment by relying on the structure-conduct-paradigm (SCP), Barney (1991) pointed out that less attention has been paid to the impact of idiosyncratic firm attributes on a firm's competitive position (see also Barney and Clark, 2007). More specifically, Barney (1991) argued that the environmental approach to the creation of competitive advantage is built on two major assumptions, which do not seem to be very fruitful when eliciting the impact of a firm's environment on performance. Those two assumptions are: first, firms within an industry are identical in terms of the strategically relevant resources they control and the strategies they pursue (see Hoskisson *et al.*, 1999, p 426) and second, even if there is a heterogeneity of resources, that heterogeneity is short-lived, because the resources firms use to implement their strategies are mobile. The resource-based view, however, builds on two opposite assumptions, where resources are heterogeneous and they may not be perfectly mobile so the heterogeneity can last

long. In other words, the external-environmental approach denies the strategic role of resources in making sustainable competitive advantage, whilst the resource-based view places a great emphasis on this.

More important than the creation of competitive advantage is the issue of sustaining it afterwards. According to Barney (1991, p 102) “a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when those other firms are unable to duplicate the benefits of this strategy.” Unlike Porter (1985) who defined the concept of sustainable competitive advantage as a competitive advantage that lasts long, Barney (1991) identified it as the sustainability of competitive advantage based on the possibility of competitive duplication. However, he did not mean that even a sustainable competitive advantage can last forever. In addition to the two assumptions of heterogeneity and immobility for resources, he introduces four attributes for the firm’s resources to have the potential of creating sustainable competitive advantage. These attributes are as follows: “

- a) it must be available, in a sense that it has the ability of exploiting opportunities and defeat threats
 - b) It must be rare
 - c) It must be imperfectly imitable
 - d) There is no strategic equivalent substitute for it with can be replaced with”
- (Barney, 1991, p 105,106).

Further, Barney (1991, p 111) divided sustainability into two forms. First, it may not be possible for a firm to imitate another firm’s resources exactly as they are, but it can find a substitute that has a similar impact on the performance of the firm. Second, very different resources can become substitutes of each other under certain circumstances.

While Porter (1985) defined the concept of positioning through overcoming the external competitive forces and the RBV puts emphasis on positioning through leveraging resources, another approach is also available. This approach, which is called the *strategic conflict approach* (Shapiro, 1989), is very close to Porter’s idea in that it focuses on market imperfection, entry deterrence and strategic interaction. It

utilises game theory to study competitive outcomes as a function of rivalry where the firm is vying and trying to outperform its competitors for positioning (Teece *et al.*, 1997, p 510). Therefore, the strategic conflict approach stands on the outside-in side of the dichotomy and according to it sustainability of competitive advantage can be achieved through a continuous re-strategising policy to compete against current and potential competitors. That is, as rivals may change their strategies the firm needs to revise its strategies and benchmark itself against its competitors.

3.1.3.3. *Defining the paradox in the MNE context*

As mentioned earlier, Birkinshaw and Fry (1998) explained the mechanism by which subsidiaries are made aware of initiatives and the ways they respond to them. They identified two mechanisms: network optimisation and market development. The latter refers to a mechanism in which the subsidiary identifies some potential opportunities in its operating environment and attempts to exploit them. It is clear that the subsidiary managers should consider their strengths by taking their resources and capabilities in to account in order to realise whether they will be able to exploit the identified opportunities or not. Therefore, the strategy making starts by identifying opportunities in the market and then leveraging resources to be able to take advantage. The identification of the opportunity is more likely to be done by the subsidiary due to its connections with local bodies in the host country, but it does not erase the possibility of finding opportunities by the parent firm. If the initiative is identified by the parent, it will be sanctioned to the subsidiary oriented towards the external market development. To what extent would the subsidiary conform to the parental mandates is another issue. The subsidiary may reconfigure the diffused configuration by the parent. According to Birkinshaw (1998), this mechanism falls under the category of “bid initiatives”, where the response to initiatives is towards external market development, but sanctioned by the parent. If the subsidiary acts upon initiatives without any parental sanction, it is called a leap-of-faith initiative. Nevertheless, these two types of initiatives and the MNE’s reflection on these are considered as outside-in strategies as the orientation is towards identifying and capturing opportunities in the external market by leveraging resources.

Conversely, reconfiguration and maverick initiatives are intended to enhance the capabilities of the network so as to be able to exploit opportunities in the external market. In other words, the strategy making in the latter case commences from assessing internal resources and capabilities and then tailoring opportunities to those capabilities. A reconfiguration initiative is an effort by the subsidiary to alter the existing configuration of activities within the corporation in order to enhance their efficiencies without the involvement of head office. A maverick initiative is somewhat similar to a reconfiguration initiative and it aims at enhancing capability. These two mechanisms are addressing an inside-out strategy.

Drawing on Birkinshaw (1997), initiatives can be divided in three types: local, global and internal. Entrepreneurial attempts by the subsidiary to harness these initiatives will lead to the creation of competitive advantage, both locally and globally. Acting upon the local and global initiatives is outside-in strategy making, whilst responding to internal market initiatives in this model represents an inside-out perspective. The subsidiary evolution (Birkinshaw and Hood, 1998) towards attaining initiatives can generate from: head office assignment, the subsidiary itself or the local environment. Referring to Rugman and Verbeke (2001), FSAs can be created either at the subsidiary level or as a home country operation, which are subsequently diffused to the subsidiary. What determines the resource leverage or market adaptation strategy is the type of initiatives, not the mechanism of responding to them.

3.1.3.4. Further discussion on subsidiary strategy Vs headquarter's control

Whilst the I-R dichotomy is considered through the parent-subsidiary relationship, the market adaptation-resource leverage paradox demonstrates the challenges of creating competitive advantage at the subsidiary level. On the one hand a subsidiary may follow the rules of the game in the host market and homogenise with other competitors in the same field, whilst on the other hand, it may adopt a differentiation strategy by relying on its ownership advantages. In the former case, the subsidiary would become idiosyncratic toward the headquarters, while with the latter form it would move towards replicating the parental model.

The aforementioned types of subsidiaries have been given different names by different scholars and these are presented in the table below, categorised by three major subsidiary strategy typologies.

Subsidiary Strategy Typologies			
	Local Implementer	Specialized Contributor	World Mandate
White & Poynter [1984]	Miniature Replica	Rationalized Manufacturer, Product Specialist	Global Mandate
D'Cruz [1986]	Branch Plant	Globally Rationalized	World Product Mandate
Bartlett & Ghoshal [1986]	Implementer	Contributor	Strategic Leader
Jarillo & Martinez [1990]	Autonomous	Receptive	Active
Gupta & Govindarajan [1991]	Local Innovator, Implementor	Global innovator	Integrated Player
Roth & Morrison [1992]		Integrated	Global Subsidiary Mandate

Table 3–4- Subsidiary strategy typologies

Source: Birkinshaw and Morrison (1995, p 733)

The local implementer is a subsidiary with restricted geographic scope and limited value-adding activities. The specialised contributor is a subsidiary with a high level of coordination with other subsidiaries, but a limited set of activities and the world mandate type of subsidiary is characterised by worldwide activity integration, but strategized by the subsidiary rather than the head office (Birkinshaw and Morrison, 1995).

Heterarchy is the opposite of hierarchy. That is, in a hierarchical model subsidiaries are tightly controlled by the head office through a bureaucratic mechanism, whilst in the heterarchy model subsidiaries are more autonomous and loosely integrated with the parent normatively.

Birkinshaw and Morrison (1995) studied the relationship between subsidiary strategy typologies and structural context and found that in terms of parent-subsidiary relationship the world mandate was the most hierarchical. Other implications of this relationship are depicted in the figure below.

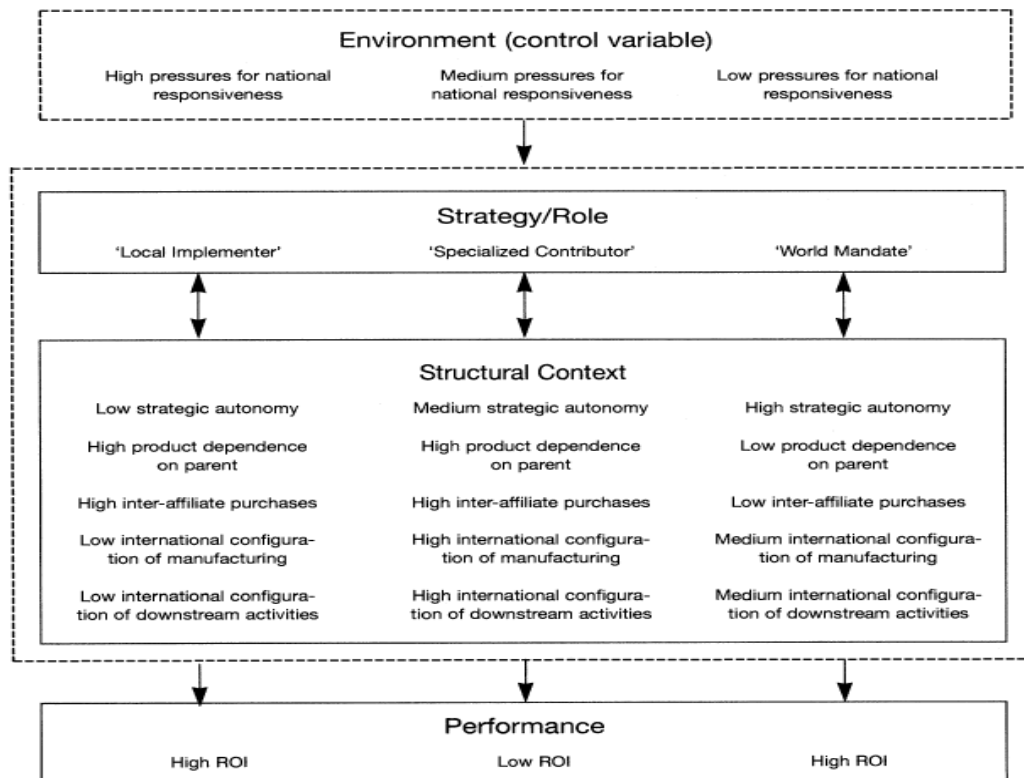


Figure 3-7- Strategy - structure- performance framework

Source: Birkinshaw and Morrison (1995, p 748)

International strategies of MNEs can be studied through the lens of inter-organisation resource flows. Regarding this, Randoy and Li (1998) argued that export and FDI are not sufficient indicators for assessing global corporate strategy and that a more appropriate measure would be intra-firm transfers of resources, such as knowledge and capital.

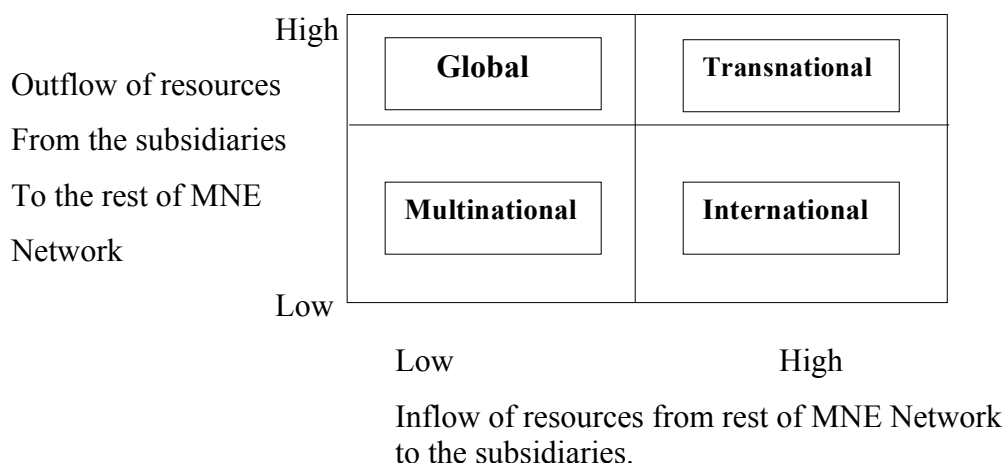


Figure 3-8- Corporate strategies based on resource flow

Source: Randoy and Li (1998, p 78)

The table presented above refers to an overall international strategy at the firm level and it shows that in a multinational strategy, subsidiaries are decentralised from the parent considering the low inflow and low outflow. In other words, in such a structure the MNE “tentacles” are fairly weak. However, it represents that transnational strategy is a two-way resource flow and reflects a network structure and the global strategy is a centralised hub in which the headquarter transfers a large amount of resources to subsidiaries. Conceptualising this view to the subsidiary level, Randoy and Li (1998, p 82) identified four distinct types of subsidiaries based on resource transitions.

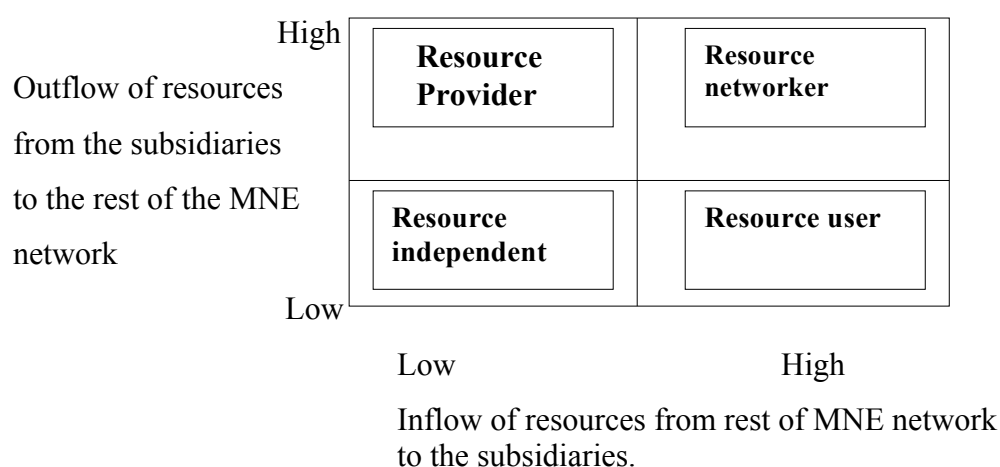


Figure 3-9- Types of subsidiaries based on resource transitions

Source: Randoy and Li (1998, p 82)

This table reveals the degree of dependence of a subsidiary on the head office. For example, the resource independent quadrant represents a low inflow-low outflow status of a subsidiary, which indicates a greater degree of independency.

Moving down from the strategy level to the operational level, based on the I-R grid, Birnik and Moat (2009) suggested an operating model pertaining to the two attributes of strategy and execution. Further, there are two types of strategy, central and local in which a central strategy is a strategy made at headquarters due to its nature and local strategy is crafted at the subsidiary level. Regarding the other attribute, execution has three types: central, local and outsourced. According to this model, a central strategy can be executed by the parent, subsidiary or outsourced. The same classification applies to local strategies.

3.1.3.5. *Resource dependence vs. dynamic capabilities*

It appears logical that a foreign subsidiary of an MNE utilises the resources of the host country. This is because, in most cases it is not cost-effective to use the home country's resources, tangible or intangible, especially when there is a high geographical distance involved. Pedersen and Petersen (1998) studied the concept of resource commitment to a foreign market by MNEs and elicited that this commitment is an incremental process. They also studied the reasons for this gradual movement.

It is of a particular importance to note that in reality MNEs are using a mixture of both resources from the home and the host countries. If the reliance of the firm is more on the host-country resources, it becomes locally resource dependent. Regarding this, resource dependence theory (Pfeffer and Salancik, 1978) says that an MNE's dependency situation arises when resources are scarce and irreplaceable in the host country. Moreover, a high reliance on the local resources can jeopardise the firm's stability in the host market, thus increasing volatility. For instance, an unforeseen change in the regulation of the host country may prioritise local competitors over foreign players in terms of accessibility to some resources. In addition, local players are more likely to have the potential ability of accessing and taking advantage of local resources and this potential threat recalls the liability of foreignness. Proponents of the resource dependence theory argue that the provision of some resources by the head office can help the subsidiary to diminish its dependence on the local resources and alleviate the aforementioned threat. However, it does not mean that all resources must be provided from the parent unit. On the other hand, the dynamic capability perspective recommends strategic adaptation of the firm to the local environment in order to decrease the liability of foreignness and to increase the possibility of exploiting the emerging opportunities.

Luo (2003) argued that these two distinctive perspectives are complementary, explaining that an MNE needs to exploit opportunities as well as remove threats in order to reap a competitive advantage. Therefore, it has to reduce the subsidiary's dependency on the local resources and in the meantime adapt to the local environment to curtail the threat. Hence, the parent-subsidiary link can influence the performance of the subsidiary in the foreign market. Luo (2003) identified four dimensions of the

parent-subsidary link: resource commitment, intra-network information flow, local responsiveness and control flexibility and described their influence on a subsidiary's performance. Resource commitment and information flow contribute to reducing the dependence on the local resources, whilst local responsiveness and control flexibility help to fortify strategic adaptation and flexibility. That is, the parent's commitment to back up the subsidiary to provide an appropriate level of resources as well as a proper flow of information throughout the network can reduce the level of exogenous dependency. In addition, local responsiveness contributes to tackling the liability of foreignness and control flexibility enables the subsidiary's managers to alter their decisions to cope with the changing situation.

The implications of Luo's (2003) study are that there is a link between the market-related activities of an MNE and the parent-subsidary relationship. Confirming the existence of such link, Hewett et al (2003) contended that relational and industry conditions are more important than market initiatives in influencing the role of subsidiary against its parent. They suggested that in order to enhance the firm's performance headquarters and subsidiary roles should be aligned with relational, industry and market conditions. Put in another way, market conditions, parent-subsidary link and the nature of industry all have an impact on the role of a subsidiary and hence, its performance.

The link between strategy, structure and performance in MNEs has been also studied by Chen (1999). More specifically, he appraised the influence of marketing strategies, mode of entry and firm-specific assets on firm performance. The impacts of market conditions and the nature of industry, as identified by Hewett et al. (2003), were also endorsed by Chen (1999).

Part 3.2. Characteristics of HEIs

Up to here the literature of MNEs with a specific attention to subsidiary role and strategy has been reviewed and the dominant theories and models have been addressed. Now it is time to turn to TNHEIs and look at their characteristics to find out which MNE theories are most suitable to be applied to this context. In other words, the succeeding brief review of the characteristics of HEIs would lead to

understanding what set of features distinguishes these organisations from ordinary MNEs.

3.2.1. The hybrid structure of HEIs

Hybrid organisations are a type of organisations that “stand at the crossroads of market, state, and civil society” (Brandsen and Karré, 2011, p 827) mixing elements of public and private organisations. These organisations, which have emerged in the aftermath of a switch from government to governance (Rhodes, 1997) include governmental organisations that resemble business enterprises, third sector organisations that contribute to accomplish the public needs (similar to the government) and commercial companies that engage in producing public goods and services (Perry and Rainey, 1988; Rainey, 1997).

Mixing the profit-oriented activities and pursuing public goals bring about complexities that has lead some scholars to argue that “hybrid organisations are the road to disaster” (Brandsen and Karré, 2011, p 829). Some other scholars such as Haque (2001) also caveated about the diminishing publicness or public quality of public services in the wake of market-oriented modes of governance. Accordingly, these organisations are potentially associated with some financial, cultural and political risks.

The financial risks point to the possibility of wasting public money (detraction from public goals) on risky investments or through unfair competition (see for an example Koppell, 2003) by hybrid organisations. Moreover, the failure of such organisations will automatically have negative impacts on the social aspects of providing public goods for which the state is often responsible. Therefore, when undertaking risky business-like ventures, hybrid organisations act like for-profits, but when the risk materialises the burden of costs will be upon the state and the society as these organisations have largely capitalised on public funds and/or the social capital earned from their realised publicness (Emmert and Crow, 1988). For example, the closure of a branch campus will bring along -at least- reputational damage for the mother university and to a lesser extent the country in which the exporter university resides.

The cultural risks associated with hybrid organisations are concerned with the deviation from public service ethos and morality (mixing or replacing the public

service ethos with profit motives). That is, the values in public and private organisations are distinct (Lane, 1994) and thus mixing these elements may lead to “cultural impurity” (Brandsen and Karré, 2011, p 830) that could lead to destabilisation of organisation. Moreover, at the individual level professional codes of conduct are different in public and private organisations (Clarke and Newman, 1997; Schepers *et al.*, 2005). Therefore, in the context of hybrid organisations, these often-different values may conflict.

The political risks of hybrid organisations are related to the diminishing governmental control over their efficiency and performance. The private side puts the managers of these organisations in a more autonomous position that leads to loose control of the government. This can become dangerous when missions drift from public responsibilities to more commercial goals occurs (Brandsen and Karré, 2011).

Universities are hybrid organisations for they have moved towards privatisation in many countries (Kinser *et al.*, 2010; Levy, 2010) - especially when venturing abroad - while still drawing heavily on a social capital, which is associated with their realised publicness due to the long trajectory of operating as nonprofit organisations: “[p]ublic universities almost never become private ones, a contrast to what has often been seen for banks, airlines, and other enterprises [...]. But the growing privateness within public universities is an international phenomenon, though varying by region and country. Even the US, with its long history of ample privateness in public institutions, now experiences further privatization” (Levy, 2012, p 15 forthcoming).

It is important to note that, although the growth of private HE has been noticeable in the last quarter of the twentieth century, Levy (2012 forthcoming) reports on a decline in particular types of private HE such as religious HEIs. However, he argues that this decline is in private shares of HE while the private numbers are still on the growth (the decline is not raw in absolute numbers, but it is proportional). Thus, from a broader perspective, private HE has witnessed a significant growth in recent decades as he says: “[v]ery few countries have no PHE, whereas absence was common a couple of decades ago” (Levy, 2012 forthcoming, p 1). He concludes that growth remains as the major trend for private HE and the decline has only emerged in private shares (*ibid*).

It is also of paramount importance to note that the concept of privatization in higher education is of two types: “one is increased privateness within the public sector and the other is growth of private sectors” (Levy and Zumeta, 2011). In this research, the former type has been considered. That is, HEIs are seen as hybrid organisations with both public and private sides, with the former side being concerned with their public responsibility and the latter one corresponding to their market-oriented activities. Therefore, the public-private distinction, in this research, has not been made based on the type of ownership in organisations, but it has been considered as the realised publicness of privately set-up HEIs. This realised publicness (Bozeman and Bretschneider, 1994; Moulton, 2009) is concerned with the contribution of an organisation to the public values by its outcomes, regardless of their type of ownership (Levy and Zumeta, 2011, p 345) as in the context of HE Levy and Zumeta (2011, p 345) say: “[t]he recent public to private reversal is particularly striking in fields like higher education where the belief was once dominant in much of the world that the subject matter in question was a natural public responsibility and that more than minimal private action was illegitimate; indeed that view remains wider and stronger than one might expect from the evident dimensions of higher education’s privatization”.

The key explanation of universities as public good providers is that they – particularly in Europe – were seen as tools in the hands of nation-states that both preserved the nation’s culture and educated the next generations of civil servants (Hansman, 1987). A concomitant of this was that, in the absence of profit motives, the professional norms that dominated in the context of maximising prestige and status (Neave, 2001) were based on research and teaching excellence.

As discussed in the second chapter, the globalisation of economies, the growth of the knowledge-based economy and the fundamental shift towards a neoliberal economy have had a significant impact on many industries and sectors. Consequently, gradually the idea has become rooted that there are private good aspects of higher education as well (this is different from private HEIs defined by the type of ownership). For instance, for university graduates there is a clear private benefit in the form of (on average) obtaining a higher salary than other employees in the workforce. This gradual change in outlook materialised in different ways. First, the universities were

required to acquire (additional) financial resources from other funders, for governments were not able and/or willing to fully subsidise higher education. This has led to universities engaging more with business and industry and them becoming involved in consultancies and commissioned research. The less a university has access to the public funds, the more it will be motivated to undertake business-like activities and thus resemble private for-profit enterprises as Weisbrod (1998, p 3) says: “[i]f a nonprofit university sees the need to modernise its scientific research facilities in order to pursue cutting-edge research, but grants from government and donations from private sources are either decreasing or rising slowly, the lure of commercial revenue is likely to be powerful”. Also, it was no longer a given that students should be financially supported throughout their university life and practices such as: students paying fees, cost-sharing and conditional grants (grants being turned into loans if the student’s performance was not up to standard) were introduced. As a consequence, private elements (competition, consumerism, value-for-money, efficiency, etc.) became institutionalised in the fabric of higher education. The changing view regarding the socio-economic role of higher education also paved the way for for-profit higher education providers to enter the scene, further fuelling the competitive nature of higher education and encouraging the nonprofit universities to focus even more on efficiency and value-for-money. Nevertheless, universities have not lost their nonprofit nature and obviously there are still externalities of research and teaching, namely, the fact that a large share of the population is educated at high levels and the spillovers from research, innovation and development, benefit society as a whole. This also applies to business schools, which appear to cater predominantly for for-profit industries. As Pfeffer and Fong (2004) have argued convincingly, even these schools have broader social roles and impacts.

Furthermore, the conception of higher education as a positional good or a partially positional good (Jonathan, 1990; Marginson, 2006) has become entrenched. As discussed earlier in chapter 2, positional goods are products or services for which their functional effectiveness is dependent on their social desirability. For example, those products or services that lead to a higher reputation, social status and prestige for customers are known as positional goods (i.e. luxury products). However, it has been argued that positional competition can create negative externalities due to functioning

based on individual interests in escalating social status relative to that of others, which becomes wasteful at the national level. This leads to the conclusion that there should be governmental intervention directing the competition towards a value-adding rivalry. Some other scholars, such as Adnett and Davies (2002), have commented in relation to higher education that as it is a public good, it is not comparable to luxury services and hence there cannot be a wasteful arms race. They pointed out that education adds value to the whole society and everybody in it is a beneficiary from greater educational attainments. Jonathan (1990) who considered education as a positional good argues that the value of an educational service rests upon its contribution to the society not to the individual's benefit. Therefore, the positional competition does not lead to a wasteful individual positioning race and mitigates the negative effects of the externalities. A criticism of this argument is that it does not explain why it is guaranteed that greater competition among individual consumers would lead to an overall improvement in educational attainment. Furthermore, this assumes that educational attainment is the same from the perspective of all consumers, whilst in reality, they evaluate educational attainment from many different aspects.

Adnett and Davies (2002) preferred to term higher education a partially positional good, which only under limited circumstances has negative impacts on social welfare. They accepted education as a positional good but emphasised that an increase in positional demand does not necessarily lead to an increase in educational attainment and there is a possibility of incurring negative externalities. Furthermore, the two types of positive and negative externalities identified by these authors underline the complex nature of the market mechanisms in relation to education. Regarding this, undoubtedly, the multidimensional process of reputation building, which falls between the profitability of a hybrid organisation and its external market, increases the level of this complexity. Further, the term reputational capital (see for example Hanlon, 2004a; Jackson, 2004) has been coined to explain the key role of reputation and its linkages with the organisational identity and image, which are expected to lead the organisation to achieve a competitive edge.

Summing up, universities – as the producers of public and positional goods and also simultaneously engaged with business-like activities – in contemporary society are

hybrid organisations with public and private characteristics. Moreover, the differences between the two are becoming increasingly blurred (see also Gumpert and Snydman, 2006) and it appears that the one cannot do without the other. In fact, it is socially not acceptable for universities to merely seek to maximise their profits (like private firms), although market mechanisms steer them to be geared towards revenue generation. Even for for-profit universities, there are compelling arguments in favour of them increasing their social legitimacy, notwithstanding their commercial activities. Given that many private universities seek to achieve legitimacy from governments (e.g. through programme or institutional accreditation), and that quite often students at private universities are eligible for governmental grants, it is clear that similarly, they have to attend to public issues.

It must be stressed that as hybrid organisations, HEIs are facing challenges and risks. Some of these challenges such as marketisation and commodification of HE were discussed in the previous chapter. Although scholars have different views on these issues and some commentators see the input from the private sector into the university as a positive sign that can lead to a greater efficiency, a number of examples below show how it can harmfully lure the university from its public-social goals and turn them to the labour of the funding private bodies (prioritising the requirements of funding private bodies to their own missions).

Weisbrod (1998, p 6) brings the case of a researcher at the University of California at San Francisco (UCSF), funded by a private pharmaceutical company, who found out that the effectiveness of a brand-name thyroid drug - produced by the funder company- was no greater than the over-the-counter alternative that was considerably cheaper. The researcher withdrew the paper from the Journal of American Medical Association, being threatened of a lawsuit by the funder.

Another case that Weisbrod (1998) mentions is the story of researchers at the University of Washington who found that a popular form of spine surgery might not be effective, and that a popular drug for lowering blood pressure would increase the risk of heart attack. They were forced by political pressure from the Federal agency that had paid for the spine research to remove the article. The researchers claimed have been harassed by the drug companies and their academic consultants.

These cases demonstrate that public-private structure of HEIs is not free of challenge and conflict. There is also another complexity that emerges as a consequence of the evolution of the field of HE. That is, under the prevailing perspective of universities being public good institutions, knowledge transfer (education) and generation (research) were rather unproblematic activities as they were considered as being in the interest of the wider public. Consequently this gave an unambiguous role to the knowledge provider, that is, the researcher/lecturer was an expert in a trusteeship relation with the receiver of knowledge. However, the shift of the regulatory regime from those of normative professional principles to market-based logic (Suddaby *et al.*, 2007) has brought significant challenges to the expert-client relationship (see also Hanlon, 2004b). This concept will be discussed in greater detail later in this chapter.

Therefore, the hybrid structure of HEIs brings along complexities, which have not been particularly encapsulated by the common MNE models and theories. In the remainder of this chapter a model will be developed to produce an analytical ground for addressing this hybrid structure in the context of TNEIs.

3.2.2. HE as a service

The literature of service firms shows four generic characteristics that most of services have in common: intangibility, heterogeneity, perishability of output and inseparability (Lovelock and Yip, 1996, p 66). These are addressed in turn. Intangibility refers to the subjectivity of service quality that makes this difficult to assess and without doubt, the quality of the product of HE is difficult to measure. Even concepts such as: the effectiveness of a programme, the student learning experience and the meaning of quality in the sector remain very controversial and there is no conclusive model or definition that leads to a consensus. Heterogeneity addresses the difference between the perception of the sender (the parent unit in MNEs) of service quality and the implementer's (subsidiary in MNEs). This difference is affected by the cultural differences of employees in the two different countries, because services are mainly delivered by people (employees). In the case of the education service, this is mainly delivered by staff and consequently it is highly

dependent on people's subjective perceptions of education, norms and cultural views, which are very diverse.

The ability to use the capacity of one market to respond to the demands in another when needed because of demand fluctuations is referred to as perishability. Because of the process nature of services, it is difficult to standardise incentives in order to manage demand across countries (Sarathy, 1994, p 117). Thus, in education services, although the curriculum can be standardised to some extent, delivery may be very variable. The simultaneity of production and consumption, that is, the inseparability of services, reflects the fact that for many, there is no time gap between producing the service and consuming it (e.g. transport) but for others, depending on the nature of the service, it may be possible that some part of the production can take place in advance of delivery. However, the processes of learning and teaching take place simultaneously and the service cannot be produced somewhere and delivered later elsewhere (note: different forms of distance learning, including online education, are outside the scope of this research).

Campbell and Verbeke (1994) have studied the globalisation of service multinationals and with reference to the generic characteristics of these, they have argued that national responsiveness and economies of scope are key strategic points in service MNCs. The concept of national responsiveness, which is related to the legitimacy of the firm in the host country (Campbell and Verbeke, 1994, p 98), can only be achieved if the firm's internal culture, comprising its norms and cognitions, allows for the free diffusion of innovation throughout the network. This needs a decentralised organisational structure yet accomplishing economies of scale requires a certain level of centralisation. They contended that this point is in contrast with Bartlett and Goshal's transnational solution, which was applicable to manufacturing MNCs. According to Campbell and Verbeke (1994), for service MNEs, the transnational solution is arrived at through two stages whereby the firm focuses on national responsiveness and strengthens its position in the host market and then develops its network and pursues further goals. Capar and Kotabe (2003) have also concluded that the internationalisation of service firms is different from that for manufacturing firms (see also Brock and Alon, 2009; Contractor *et al.*, 2003), in that unlike for manufacturing firms, for service firms the relationship between internationalisation and performance (calculated by the return on investment) follows a U-shaped curve.

That is, in the first stage, up to a certain level, the performance/profitability level falls and then it starts growing.

This logic will be used when building a theoretical model that addresses the sequential steps of transnational solution for multinational service firms later in this chapter.

3.2.3. HE as a knowledge-intensive professional service

In addition to the above set of characteristics, HE has some distinguishing features that need to be taken into account.

Higher education is considered to be a knowledge-intensive professional service (Von Nordenflycht, 2010) and professional service firms (PSFs) are complex organisations, particularly when operating at the transnational level. Regarding this, Greenwood and Miller (2010) asserted that the multiple complexities of transnational PSFs highlight the challenge of reconciling the professional jurisdictions (e.g. professional autonomy), which are introduced and legitimated by the wider professional community of PSFs, and the logic of commercial viability, which resonates with market rules (see also Leicht and Lyman, 2006; Whittington *et al.*, 1994). They concluded that, with regard to unpacking the organisational design of transnational PSFs and their inherent conflicting logics, multiple theories are needed. The aggregated LIL follows this logic by compartmentalising the economic and non-economic elements in order to shed light on the different patterns of these axes.

However, further elaboration of the specific characteristics of PSFs is needed. Regarding this, the distinctive characteristics of PSFs are: highly qualified individual employees, idiosyncratic client service, subjective quality assessment and information asymmetry (Lowendahl, 2005). The foremost of these suggests that a high level of professional autonomy is enjoyed by employees (Starbuck, 1992), whilst the term idiosyncratic client service refers to the complexity of operation management, because the service cannot be stored. The characteristic of subjective quality assessment underscores the fact that there are heterogeneous clients' expectations. Whereas in many services the majority of customers share more or less mutual

selection criteria (i.e. for transport they desire comfort, price, safety, tidiness of the vehicle, etc.), in the educational sector the perception of the consumers, who are the immediate receivers of the service, varies greatly with regards to quality. Adnett and Davies (2002, p 169) pointed out this variation and described it as “diverse frames of reference”, which leads to different aspects of value for educational [quality] attainment which in turn, causes variation in consumer behaviour. Not only can consumers’ expectations vary for different academic subjects, but they also vary from one institution to another and from country to country. A part of this variation can be attributed to the consumer’s social class and cultural background (Adnett and Davies, 2002). Finally, given that the employees of a PSF are professionals, there is a knowledge gap between the client and the service provider, which has managerial ramifications. In other words, in the educational context, the extent to which students are capable of assessing the quality of education and their ability grasp for instance, which textbook or what teaching method best suits them, is very debatable.

This set of characteristics causes additional complications, especially when the firm is transnational as the clients are from different cultural backgrounds and thus the nature and the levels of expectations may vary across the different countries. This point has been referred to as “the latent tension between commitment to local and global clients” (Greenwood and Miller, 2010, p 84). Moreover, the diversity in the normative institutional pillars across borders brings challenges to the patterns of inter-professional rivalry and jurisdictions (Dezalay, 1995; Suddaby *et al.*, 2007).

In this part, the distinguishing characteristics of TNHEIs were discussed and putting these in the context of the dominant models and theories of MNEs that were reviewed in the first part, it was argued that none of those models are sufficiently appropriate to address these distinctions. Therefore, in the next part, a field-specific model will be developed in the context of TNHEIs.

Part 3.3. New theoretical model

3.3.1. Towards a theoretical model (the aggregated LIL)

This part includes three sections. In the first section, the review of the MNE theories will be summarised and re-categorised. In the second section, by referring to the distinctive characteristics of TNHEIs that were discussed in part 2, the most relevant MNE models will be selected and by relying on two other theories a combined overarching model will be constructed, which is capable of addressing the mentioned idiosyncrasies. In the third section, the limitations of the newly built model will be discussed.

3.3.1.1. Summary of MNE theories and discussion

The international business literature with regard to multinational enterprises is large and expanding and there has been much research carried out in this field from different perspectives. A considerable number of studies have addressed the major concepts of IB, specifically in the context of multinational enterprises, such as: subsidiary strategy and role, parent-subsidiary relationship, liability of foreignness, corporate immune system, receiving initiatives, internal network optimisation, diffusion of practices, institutional distance between the parent and the host country, isomorphic pressures, subsidiary performance, knowledge transfer, legitimacy, structure and strategy, method of entry, etc.

A common problem facing researchers in this field is that there are distinct and disparate strands of literature, each addressing a specific aspect of MNE management. Consequently, the main concentration of any of the existing studies is on a particular pattern of multinational enterprise management, without describing the links and overlaps with other relevant issues. For instance, a number of studies have specifically addressed the types of initiatives received by MNE subsidiaries (i.e. Birkinshaw, 1998), whilst others have explored the mechanism through which the MNE would act upon the initiatives (i.e. Rugman and Verbeke, 2001) and the effect of MNE's structural configuration on these mechanisms have been discussed by others. Another

reason for a lack of consensus on subsidiary evolution is the different lenses through which it has been researched. For example, whilst Kostova and Roth (2002) considered institutional duality and adaptation of practices in MNEs, Rosenzweig and Singh (1991) were concerned about organisational environments of MNEs and Birkinshaw and Morrison (1995) focused on the parent-subsidiary link. These separate bodies of literature make the study of MNEs complex and difficult. Indeed, there are many links between these issues, which have been left vague. For example, it seems relevant to connect the liability of foreignness with parent-subsidiary relationship. Moreover, different scholars have relied on different theoretical bases in their works that may cause some logical conflicts when put together. A good example of this would be the tension between institutional duality and the resource-based view when studying the evolution of subsidiaries. Young and Tavares (2004, p 215) summarised the state of the art as follows: “[in MNE literature] valuable and insightful research has not evolved in a systematic way. Terms are used loosely and imprecisely and cause and effect relationships are unclear”.

Some scholars have created holistic models. For example, Blazejewski (2006) tried to conceptualise MNC practices transfer as a conflictual process. Her model was constructed by studying the adaptation process of value-infused practices in MNCs, considering the cultural distance between the parent and the subsidiary. Moreover, the concept of conflict, which is sourced by the clash of individual interests and individual political, power-based strategies, is central to her micro-level model. She criticised Kostova and Roth (2002) for their unrealistic assumption of conflict-free, apolitical and unproblematic diffusion of practices and identified some determinants of conflict in MNCs: “Conflict theory has so far largely refrained from addressing the distinctive, institutionally and organisationally complex situation of MNC and the internal transfer of culture-bound managerial practices across international subunits which,[...], need to be understood as being highly conflictual” (Blazejewski, 2006, p 6).

While Blazejewski’s model addresses some of the key determinants of hybridisation of value-infused practices, such as institutional context, relational context and local organisational context, it fails to shed light on the role of the market and its undeniable influence on the process of local adaptation. One could argue that the local organisational context includes the market mechanism, but the question still remains

as to what kinds of marketing initiatives is a subsidiary made aware of and how does it manage to respond to them in relation to the MNE's structural configuration and strategies. Whittington and Mayer (2000, p 19) have magnified the role of market competition in corporate convergence (see figure 3-10).

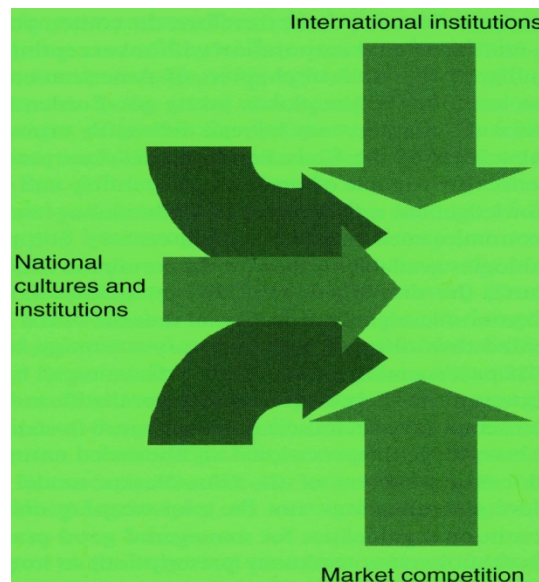


Figure 3-10- Market competition Vs. national and international institutions

Source: Whittington and Mayer (2000, p 19)

Furthermore, the concept of conflict does not thoroughly reflect the nature of complexities within the network of MNEs. Kostova and Zaheer (1999) provided a comprehensive framework to outline those complexities and indeed, their framework encompasses the systemic connotation of conflict that was discussed by Blazejewski (2006). However, Kostova and Zaheer (1999) did not take the crucial role of resources and diffusion of practices into account either. In fact, their work only discusses the legitimacy requirements of an MNE that enable it to establish and continue its operations without considering the impacts of the competitive environment on the MNE's strategies and structures. Therefore, none of the proposed models and frameworks is comprehensively mapping all the influential factors that contribute to create a competitive advantage for an MNE. Some works like Birkinshaw (1997) have discussed the issue of market competition in the MNE context. However, they did not pinpoint the internal and external legitimacy

requirements of an MNE as the fundamental base of its operations and existence in their models.

Although the concepts of institutional distance and legitimacy play important roles in the existing literature, none of the dominant approaches is sufficient per se to explain the multifaceted complexities of multinational enterprises. It becomes even more complicated when deciding to select an MNE model over others for HEIs, as discussed above, are different from MNEs. More specifically, the models deal with the neither specific hybrid nature, nor knowledge-intensive service characteristics of TNHEIs. Therefore, in the next section, first, by drawing on the different strands of the reviewed literature a model is constructed, in which the notion of evolution of the subsidiary on the dichotomy of standardisation versus local adaptation is at the centre. Secondly, a paradigmatic tension is explored, which arises from conjoining two components of the model and the third step involves employing a strategic lens to resolve this theoretical tension. In the succeeding section, the significance of the model is explained and how it contributes to the field.

3.3.1.2. Aggregated LIL model

The specific sets of characteristics of TNHEIs include three main categories. The first category is about the public-private construct of these organisations. The second category is concerned with the service nature of HE and the third category is about the features of knowledge-intensive professional service organisations. Therefore, the model to be built must include these characteristics for it to be suitable for analysing TNHEIs.

Kostova and Roth's (2002) model seems to be appropriate to be applied in the context of TNHE and capture the legitimacy imperatives. That is, the concept of institutional duality introduces two types of legitimacies, which are both required by a subsidiary. The external legitimacy is a suitable component of institutional duality that can address the need of a branch campus to respond to the social-public requirements. As mentioned before, HEIs are producers of public goods and thus have a strong realised publicness. This notion well resonates with the concept of external legitimacy. That is, as it is expected from an HEI to be publicly responsible (not merely pursuing its commercial benefits), the more a TNHEI acts like a public entity (as opposed to a private commercial body), the more it is likely to increase the level of its external

legitimacy. However, the model of Kostova and Roth (2002) introduces the internal legitimacy as another component of institutional duality that pulls the subsidiary towards the opposite direction. That is, a subsidiary does not often have the full autonomy to respond to the external legitimacy pressures for it has to conform to the parental mandates. Therefore, the notion of parent-subsidiary relationship comes under the spotlight. In a nutshell, the more a subsidiary conforms to the parental mandates, the higher its internal legitimacy. However, the parent-subsidiary relationship is more complicated and therefore it will be discussed in more details later in this chapter.

The concept of institutional duality provides an analytical ground for the pressure of local embeddedness vis-à-vis the parental control. However, it lacks an element that captures the business-like activities separately. One could assume that the market initiatives are parts of institutions, however since in this research it is important to separate the public and private sides of hybrid structures, Birkinshaw's (1997) model of subsidiary entrepreneurship will be used to address this concept. The combination of these models allow for the theoretical compartmentalisation of public-oriented activities of TNHEIs, which resonates with the realised publicness and hence the level of external legitimacy, and the business-like activities, which are market driven. Combining the two concepts, one rooted in institutional theory and the other based on the resource-based view, has become possible by employing Oliver's (1997) and Deephouse's (2000) models. Thus, the step-by-step process of building the new model is explained below. It includes the re-explanation of the model components and the discussion on how these elements can be glued together.

The new model depicts the main forces that contribute to the evolution of the subsidiary towards localisation of practices. However, this evolution takes place in the light of the parent-subsidiary relationship, institutional distance, market initiatives, strategy and structural configuration of the enterprise. The following figure provides a schematic view of the forces that influence the subsidiary movements.

As presented in the diagram, a foreign subsidiary of an MNE is simultaneously under two opposite isomorphic pressures: L (ext) and L (int). The former force is exerted by the normative, regulative and cultural-cognitive institutions of the host country, whereas the latter pressure is sourced by the parent unit, which itself is obliged to conform to the home country's institutional profiles.

The external legitimacy refers to the minimally required legitimacy for any multinational enterprise to operate in a foreign country. Attaining this legitimacy enforces the MNE to undertake some particular strategies at both the subsidiary and parental level. Some strategies might be combined with some structural changes in order to facilitate the application of certain policies. Obviously, this external force is exerted on the subsidiary by the host country and which elements create this force is a key question, which will be discussed subsequently.

Internal legitimacy is the kind of legitimacy required for a subsidiary of an MNE to be accepted in its network. More specifically, a subsidiary needs to be *identified* (Kostova and Roth, 2002) by its parent and this identification is the result of conformity to the parental mandates.

The pulling force of the parent unit is imposed on the subsidiary through either one or a blend of: coercive, mimetic and normative forms and this mechanism can be explained by the corporate immune system (CIS). The balance, the subsidiary's response to the challenges of L (ext) and L (int), represents the position of the subsidiary on the standardisation-adaptation continuum, which is paradoxical because there is no generally applicable solution to it. Moreover, the subsidiary cannot adhere to either of the extreme ends of the spectrum and neglect the other end. Putting it differently, the achieved position of a subsidiary vis-à-vis the headquarters on this dichotomy is its response to the required levels of internal and external legitimacies. Attaining these levels of legitimacy maybe sufficient for the subsidiary to perpetuate in the market. However, the subsidiary's entrepreneurship, which is indicated by its response to market initiatives (shown by I in the diagram), is of paramount importance. In other words, maintaining the two types of legitimacies is the minimum requirement, called *threshold competence*, for a foreign subunit to be in the game. It is labelled threshold because according to Campbell and Verbeke (1994), the

transnational solution that was introduced by Bartlett and Ghoshal (1987) takes place in two sequential steps for multinational service firms. Without the accomplishment of these incumbents, the subsidiary will not be able to run. However, achieving a minimum level of internal and external legitimacy does not guarantee any enhancement in the firm's performance. That is the threshold competence - here translated to the concept of legitimacy - is a necessity but it does not arm the subsidiary or the firm sufficiently to win the competition against rivals. Therefore, the importance of the second requirement comes under the spotlight, which is the need for creating the *core competence*. This notion has been borrowed from Prahalad and Hamel (1990), who identified the concept of core competence as a key factor of reaping competitive advantage and that a company can build a competitive advantage based on accessing unique resources and its core competence. Adapting this concept to the context of multinational enterprises, it is suggested that the core competence has something to do with the reaction of the firm (via the subsidiary) to the market initiatives. Regarding this, the more the subsidiary takes advantage of initiatives in the operating environment, the more it has the chance to enhance the performance of the firm; of course in the light of a proper resource allocation. Initiatives are external opportunities that can be exploited by a subsidiary. However, the way that a foreign subsidiary can act upon receiving market initiatives (subsidiary entrepreneurship) is tied to the subsidiary-parent relationship and the structural configuration of the MNE. The subsidiary initiatives can be galvanised from two sources: regional, global, local market competition and network optimisation. The circle, which connects the subsidiaries, highlights the potential and/or existing competition between them.

To sum up, a typical foreign subsidiary of an MNE is pulled by two opposite forces. It has to respond to both of these pressures in order to maintain its internal and external legitimacy. This isomorphic tension is called institutional duality (Kostova and Roth, 2002) and it raises the question of how a subsidiary can strike a balance between these two sides. L (int) and L (ext) in the aggregated LIL model are the elements of institutional duality that lead to achievement of threshold competence. By managing to deal with the institutional duality and therefore maintaining internal and external legitimacy, a firm may guarantee its staying in the game (taking the first step of Campbell and Verbeke's (1994) transnational solution), while its performance is dependent on the competitive role it plays against competitors (subsidiary

entrepreneurship). Therefore, the usage of the subsidiary entrepreneurship model (Birkinshaw, 1997) in conjunction with Kostova and Roth's (2002) legitimacy related model enables addressing the sequential steps of transnational solution that were introduced by Campbell and Verbeke (1994). That is, the components of the model that capture the legitimacy related issues address the first step, known as threshold and subsidiary entrepreneurship, which informs the economic side of hybrid MNEs, addresses the second step.

A delicate theoretical issue that arises from the juxtaposition of these elements (some based on institutional theory and some based on the RBV) is that, in contrast with the suggested outcome of institutional theories, the resource-based view proposes a different perspective, with its proponents arguing that when considering the needs of firms for higher achievement (beyond gaining legitimacy), a foreign subsidiary has to leverage its resources to be able to exploit the opportunities in the host country. Therefore, the firm needs to outperform its rivals by differentiating from them. This differentiation suggests that the organisations that are operating in a same field would become more idiosyncratic than isomorphic (Barney, 1991). This theoretical perspective is contrary to what was suggested by the proponents of institutional theory and so the tension between these two perspectives has been highlighted by the construction of the aggregated LIL model.

Thus, the aggregated LIL model identifies three fundamental pressures, which influence a subsidiary's evolution on the standardisation-adaptation spectrum. It also shows how the level of the institutional distance between the home and the host countries will have an impact on the difficulty of positioning for a subsidiary. Moreover, once the subsidiary is positioned in the host market, legitimacy spillover towards the headquarters may occur. The tensions arise from the fact that the model is constructed from theories that belong to different schools of thought. L(ext) and L(int) are grounded in institutional theory, whereas (I) draws upon the RBV. According to the logic of institutional theory, foreign subsidiaries of MNEs seeking higher levels of legitimacy are expected to adapt to the institutions of the host country. In other words, they are highly likely to move towards a greater amount of homogeneity with the local organisations in their field. Of course, the CIS of the MNE does not allow a complete deviation from the network. Therefore, from the institutional view (in the

absence of the RBV), it can be concluded that foreign subsidiaries of MNEs have a greater tendency of becoming heterogeneous with headquarters, up to the degree that is allowed by the parent unit.

Observing the subsidiary's evolution from the RBV (in the absence of institutional theory), the competitive mechanisms in the host country necessitate the subsidiary's differentiation from local competitors, owing to the notion of nonconformity in the competitive repertoires (Miller and Chen, 1996). Therefore, a foreign subsidiary is expected to become idiosyncratic towards the local competitors and replicate its parent unit to a greater degree. Therefore, it can be concluded that foreign subsidiaries of MNEs have a greater tendency of becoming homogeneous with headquarters, up to the degree that is allowed by the parent unit.

The logical contradiction of these propositions is obvious. Therefore, a different theoretical lens is required to provide a sound explanation of the phenomenon and resolve this tension. To this end, Oliver's (1997) process model of firm heterogeneity and Deephouse's (1999) strategic balance model are used to combine the two contradictory perspectives. Oliver (1997) introduced two separate capitals, namely institutional capital and resource capital (see section 3.1.1.2.1.2.3), which together contribute to creating a competitive advantage. She conjoined the institutional view and the RBV, separately discussing the determinants of economic rent generation and the determinants of firm's compliance with the exogenous (governmental regulations, social norms, etc.) and endogenous (firm's internal values, cognitive and normative accounts) forces. Oliver (1997) argued that socially acceptable economic behaviour is necessary for a firm to create a sustainable competitive advantage. Therefore, she defined the institutional sources and the rent potentials as complementary constituents. Oliver (1997) pointed out that the resource-based view and institutional theory are incomplete per se for explaining both the economic rationality and the social responsibility of firms together. Arguing that creating a sustainable advantage by a firm depends on its ability to manage the institutional context of resource decisions, she highlighted the essence of each of these theories: "[t]he basic premise of institutional theory, then, is that firms' tendencies toward conformity with predominant norms, traditions, and social influences in their internal and external environments lead to homogeneity among firms in their structures and activities, and

that successful firms are those that gain support and legitimacy by conforming to social pressures. In contrast, the basic argument of the resource-based view is that rare, specialized, inimitable resources and resource market imperfections cause firm heterogeneity, and that successful firms are those that acquire and maintain valuable idiosyncratic resources for sustainable competitive advantage” (Oliver, 1997, p 700).

In this regard, she argued that from the institutional point of view, the firms’ choices are shaped by their social context; whereas according to the RBV, firms make economically rational choices that are shaped by their economic requirements. Thus, she contended that in order to examine both the economic behavior of the firm and the social context within which it is embedded, it is necessary to combine institutional theory and the RBV. Accordingly, she constructed a model in which the RBV has been used to explain the firm’s economic rent generation, which leads to greater heterogeneity and institutional theory has been utilised to explain the context in which the resource deployment and thus differentiation, is socially acceptable. In a similar vein, Deephouse (1999) used the concept of strategic balance to combine the RBV and institutional theory. In this treatment, the RBV addressed the competitive pressures, which leads toward differentiation and institutional theory dealt with the legitimacy pressures, which directs the firm toward homogenisation with other firms in the same field. The model of strategic balance resolves this tension by suggesting firms should be as different as legitimately possible in order to be successful.

Bringing these notions to the context of MNEs with a focus on the subsidiary, it can be defined that the subsidiary’s choice of taking a particular stance on the I-R dichotomy is determined by the needs of accomplishing both the institutional capital and the resource capital. That is, a subsidiary needs to attain a certain level of external legitimacy in the host country and simultaneously take care of generating an above-normal economic rent. Striking a balance between these two sides is controversial in the context of hybrid organisations for the reasons that were discussed earlier (public-private controversy). According to Oliver (1997) a higher reliance on the resource capital would lead to a greater heterogeneity (differentiation in Deephouse’s (1999) words), while a higher reliance of the firm on the institutional capital would lead to a higher level of homogenisation. Therefore, in the context of TNHEIs it can be defined that the more a branch campus pursues revenue generation (capitalising on the resource capital) and pays less attention to the institutional capital (social aspects), the more it becomes idiosyncratic towards the local competitors and vice versa. It must be

noted that in this research the social aspects of operating abroad has been defined (based on the reviewed literature) as equivalent to the local attentiveness of branch campuses. Therefore, hypothetically, the need for accomplishing the institutional capital is the determinant of localisation of international branch campuses (in order to gain higher legitimacy by demonstrating local responsiveness) and the need for accomplishing the resource capital leads towards a higher level of standardisation (for it enables reaching economies of scale and avoiding costs of adaptation to the local context). This assumption will be put into test later in this research. However, the notion of standardisation or deviation from the parent unit's standards requires some explanation in relation to the power structure in the MNEs. For this purpose it is essential to look again at the hybrid structure of TNHEIs. Since the power structure in hybrid organisation has not been studied at the transnational level, it is helpful to compare the parent-subsidiary relationships in MNEs and MNNPs. Hudson and Bielefeld (1997) argued that the main difference between the structure of MNEs and MNNPs is that the common structure of MNEs is a hierarchical model in which the flow of power and authority is unidirectional from the parent unit to the subunits, whereas MNNPs follow an umbrella shape coordinated federation that constitute a decentralised network in which the flow of the power and authority is from the subunits to the headquarter and back down again (Hudson and Bielefeld, 1997, p 36). In hybrid organisations the structure cannot be polarised like MNEs and MNNPs because they are both for-profit and nonprofit at the same time. Specially, in the context of TNHEIs, some level of power and authority must be decentralised given that they are knowledge-intensive professional service organisations and “professionals are assumed to operate according to principles [guaranteeing expertise and trustworthiness] antithetical to the nature of commercially oriented hierarchical bureaucracies” (Von Nordenflycht, 2010, p 158). Hughes (2011) and Dobos (2011) have explored this meaning in the context of international branch campuses. Furthermore, the structure of transnational hybrid organisations is expected to be semi-hierarchical with the power and authority being relinquished to some degree to the subsidiary. Therefore, the strategic choice of a subsidiary about the degree of capitalisation on either institutional or resource capitals is restricted by the degree of autonomy that is granted by the headquarters. That is, a branch campus, for example, simultaneously needs to satisfy a certain level of local adaptation in order to enhance its external legitimacy (by showing a higher local responsiveness) and standardise to

avoid the costs of adaptation (economic choice). This decision by the subsidiary manager(s) should be within the boundaries that are set by the headquarters for it to be internally legitimate. The L(int) in the aggregated LIL represents this meaning.

It is important to note that the internal legitimacy of a subsidiary may increase as a result of harnessing more market initiatives over a long period of time and this may lead to a greater level of autonomy be given to the subsidiary by the headquarters (Ambos *et al.*, 2010). Furthermore, the dependence of the MNE on the local resources (e.g. local lecturers in TNHEIs) has an impact on the parent-subsidiary relationship, hence the power structure. That is, if higher power and autonomy is given to the subsidiary managers in terms of accessing and making decision about exploiting local resources, they will be more flexible to cope with the unforeseen external changes in the host country, although the headquarters – at the same time – try to control the exogenous resource dependency of the subunits to some extent (Luo, 2003).

On the basis of these insights, the following figure illustrates the relationships between the elements of the aggregated LIL, the institutional capital, the resource capital and the choice of a subsidiary to take a particular stance on the I-R paradigm.

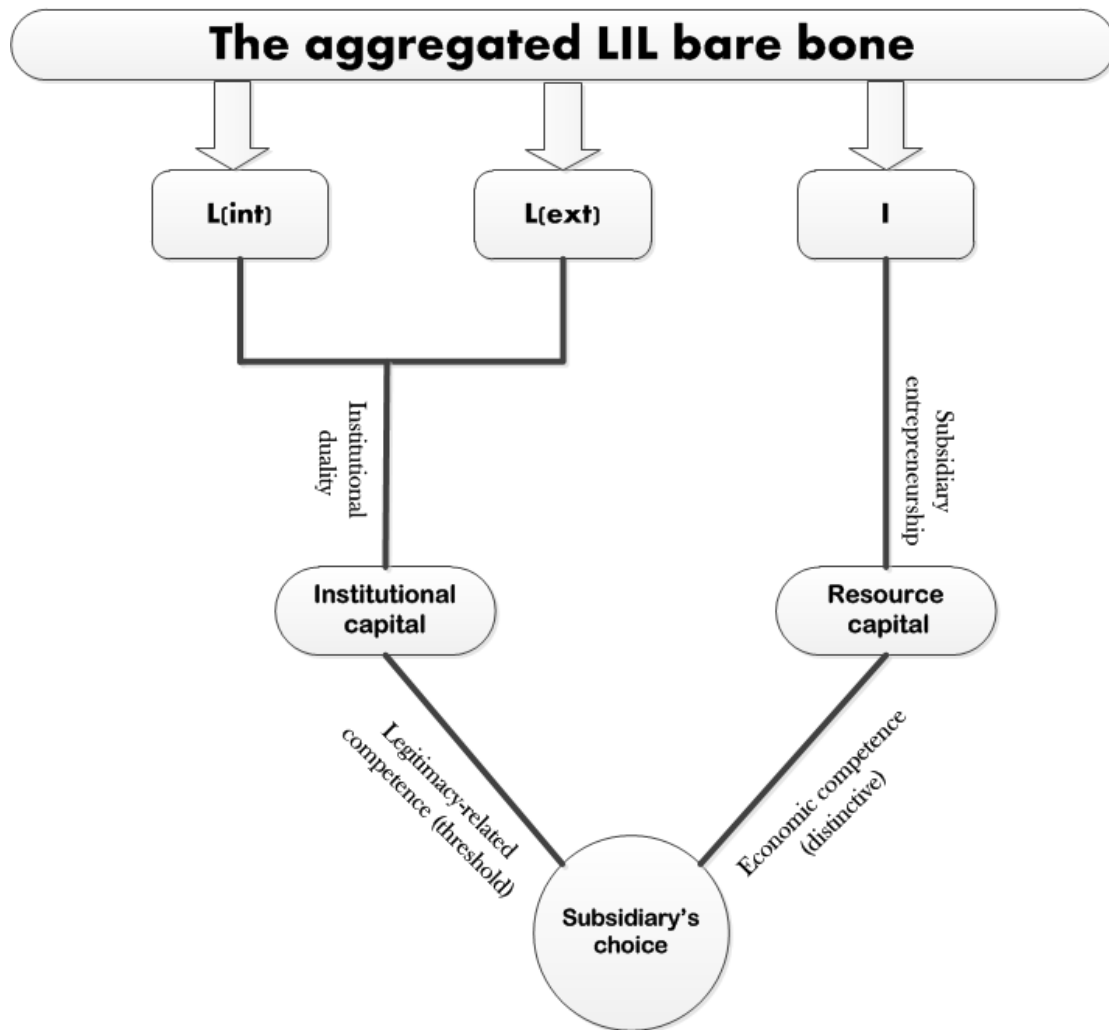


Figure 3-12- The aggregated LIL bare bone model

In the above diagram, the institutional and the resource capitals have been decomposed based on Oliver's (1997) and Deephouse's (1999) models. The institutional capital is constructed upon the joint functions of L (int) and L (ext), while the resource capital relies on the (I). The mechanisms of the contribution of the model's ingredients have also been exhibited in the diagram. It illustrates that the institutional capital can be built through managing the institutional duality, which is the consequence of the tension between the institutional distance and the CIS. However, resource capital can be gained by managing the subsidiary's entrepreneurial activities. These activities include harnessing the market initiatives and responding to network optimisation imperatives. Institutional capital leads to attaining legitimacy (both internal and external), which is vital but not sufficient to create a competitive advantage. The resource capital leads the subsidiary to create firm specific advantage (FSA). The created FSA can be either non-location bound (be diffused throughout the

network), or location-bound (only exploitable in that particular location) (Rugman and Verbeke, 2001). The institutional capital contributes to gaining a threshold competence, while the resource capital leads to the creation of a distinctive competence (Campbell and Verbeke, 1994). The degree of reliance of a subsidiary on either of these two capitals would determine its strategic choice in terms of taking a specific stance on the I-R dichotomy.

In the IB literature, institutions are seen as constraints for organisations, whereas some scholars of comparative capitalism have argued that institutions can be considered as resources (March and Olsen, 1989; Wan, 2005). That is, under this perspective, the capability of institutional diversity for creating distinct strengths and weaknesses, can provide incentives for the firms and individuals to complement market-based strategies by non-economic potentials, such as social embeddedness (Jackson and Deeg, 2008). However, it is important to note that for the purpose of decomposing – in theory - the different functions of those capitals, the classical approach to institutions, has been employed (institutions are taken as given). Nevertheless, because institutions in most of the literature have been considered constraints, especially regarding their ability to determine action (Henisz and Zelner, 2005), the RBV is used in this research to address this notion. A potential alternative to this would be using agency theory. Some institutionalist scholars have introduced concepts, such as *institutional entrepreneurship* (Battilana *et al.*, 2009; Hardy and Macguire, 2008), to compensate for the lack of determination of action in institutional theory (see also Scharpf, 1997). However, the preference here was to use the RBV instead, mainly because in the literature of MNEs, especially that regarding subsidiary role and strategy, the majority of the noteworthy contributions have relied on the RBV. Using the agency theory would enable the addressing of the concept of action, but it would have precluded the use of a number of robust theories, including the works of Julian Birkinshaw on the types of market initiatives.

The model is also capable of assessing the internal factors that have an impact on a subsidiary's evolution and link them to the external forces. Putting it differently, the model draws on both exogenous and endogenous institutions. The institutions are taken as exogenous sources (assessed by L(ext)), with the normative legitimacy reflecting the acceptability of the organisation and its activities by the external stakeholders in the host country, such as the public in general, students, parents,

employers, etc. The normative legitimacy represents the conformity of the undertakings to the norms of that particular profession (in this case norms and values of higher education), which not necessarily are confined to the external stakeholder's acceptance boundaries. Similarly, the sources of legitimacy for the regulative and the cognitive profiles are different (the host government versus the headquarters, public cognitions versus professional cognitions). However, this does not mean that general normative legitimacy can be replaced by professional legitimacy, for scholars have emphasised the multidimensional aspects of gaining legitimacy that comprises both general and professional norms (Greenwood *et al.*, 2002). Therefore, the internal and the external sources of legitimacies cause a degree of duality and thus it is important to identify the professional institutions (mainly normative) and investigate how far is they are commensurate with the public's normative expectations.

Finally, it is important to reiterate that the aggregated LIL model has been built by drawing on multiple theories. A summary of the contributing theories used in the construction of the aggregated LIL and the bare bone models are provided in the table below.

Theoretical concept/model	Author (s)	Associated element in the aggregated LIL & the bare bone models
Institutional Pillars	Scott (2008)	R(h), C(h), N(h), R(p), C(p), N(p)
Institutional duality	Kostova and Roth (2002)	L(ext), L(int)
Subsidiary entrepreneurship	Birkinshaw (1997)	I (regional/global, local)
Network optimisation	Birkinshaw and Fry (1998)	Dotted circle connecting S1...Sn
Process model of firm heterogeneity	Oliver (1997)	Institutional and Resource Capitals
Strategic balance model	Deephouse (1999)	Legitimacy-related Competence, Economic Competence
Institutional Isomorphism	DiMaggio and Powell (1983)	Coerceive, Mimetic and Normative Channels
Sequential steps competitive advantage for service MNEs	Campbell and Verbeke (1994)	Threshold Competence and Distinctive Competence

Table 3–5- Theories used in the aggregated LIL and bare bone models

The multiplicity of theories was needed to address the different accounts of complexity that were associated with TNHEIs as Greenwood and Miller (2010) argue that neither of institutional theory and RBV is per se capable of studying complex organisational forms. They suggest that “the complexity of design can be successfully approached through the conjoint application of theories from strategic management and organization theory to types of organizations” (Greenwood and Miller, 2010, p 78).

3.3.2. Limitations of the theoretical model

It has been posited by this researcher that the strategic evolution of the foreign subsidiary occurs as an intermingling function of three forces. It has also been demonstrated that the aggregated LIL model has the ability to explain the strategic movements of foreign subsidiaries in different markets under the pressure of endogenous and exogenous forces. However, it must be noted that the aggregated LIL model is relatively static; it does not capture the dynamics of change over time. Regarding this, the literature implies that the cumulative achievements and failures of subsidiaries over a long period can influence their degrees of internal and external legitimacies and therefore enhance or destroy their positions in both their target markets and MNE networks. For instance, initiative-taking activities of subsidiary managers are not necessarily always consistent with the headquarters’ interests (Delany, 2000). Although less conformity to the parental sanctions and lack of alignment with the headquarters’ diffused practices can lead to weaker L(int), a recent study (Ambos *et al.*, 2010) has revealed that successful initiative-taking endeavours by subsidiaries over a period of time can boost their position in the MNE. Consequently, subsidiaries that have been successful in harnessing initiatives in the past can be better trusted by the headquarters and thus, be given more autonomy in managing their activities. Accordingly, there is a possibility that L(int) and (I), which are used as the independent variables in the conceptual research model (see the next chapter), become dependent variables over a period of time. However, there is no evidence to show how long it would take, on average, for a subsidiary to gain higher internal legitimacy and hence more autonomy, due to its attracting the headquarters’ attention (see for more on parent-subsidiary attention Dutton and Ashford, 1993; Ling

et al., 2005; Ocasio, 1997). Future studies can incorporate the time dimension and help shape a dynamic version of the aggregated LIL model. This limitation will, however, not affect the findings of this research, for as previously noted, TNHEIs have a relatively short history of operation.

Chapter 4

Research model construction and
methodology

CHAPTER FOUR

Introduction to chapter

The focus of this research is on the managerial aspects of offshore branch campuses of TNHEIs. Chapter 2 discussed the literature of internationalisation and globalisation of HE and subsequently, the focus was on the economic drivers and infrastructures that have a considerable impact on the cross-bordering activities of HEIs. This logically was followed by a consideration of the strategic management of cross-border HEIs and their market positioning in relation to: the role of the state and patterns of competition in the local, regional and global spheres, etc. From this the dichotomy of profitability versus responsibility emerged as a key feature of this practice. More specifically, for transnational higher education the notion of financial viability of TNHEIs is crucial and yet, traditionally they have been nonprofit organisations. To help address this it was deemed appropriate to look at the international higher education sector from both a business and social perspective. Through considering the managerial challenges in the context of TNHEIs a conceptual framework has been built (based on the major themes that emerged from the review of the extant literature), which enables the portrayal of the positional strategies of those institutions on the I-R dichotomy. That is, the framework captures the strategic stance of a branch campus on the I-R trade-off on three dimensions of curriculum, teaching and staffing. In the third chapter, the literature of MNEs was probed to identify the factors that influence the change in a subsidiary's strategies and structure. Subsequently, putting the evolution of a subsidiary on the I-R paradigm at the centre plus considering the specific characteristics of HEIs such as hybrid organisational structure and knowledge intensity, a theoretical model (the aggregated LIL) was constructed that identifies three stimuli as the influential factors on the subsidiary's positioning on the I-R paradigm.

In this chapter, the intention is to synthesise the aggregated LIL and the multidimensional framework from the second chapter into the overall research model. To this end, firstly the epistemological and the ontological stances of this research are

presented and justified. It is followed by a section containing the methodology and research strategy and design.

Secondly, the elements of the aggregated LIL in the context of TNHE are revisited and interpreted through discussion on the distinctive characteristics of TNHEIs. In addition, how the aggregated LIL is capable of addressing the social and the economic aspects is demonstrated. Next, the suitability, feasibility and applicability of the model are considered, by drawing a comparison between a pure economic model (OLI eclectic paradigm) that has been widely utilised for MNEs and the aggregated LIL. Subsequently, the areas of reconciliation will be elicited from the comparison, which will lead to the conclusion that the aggregated LIL is a more appropriate model for addressing the research questions of this work.

The third step in this chapter is the operationalisation of the aggregated LIL model in the context of TNHE. In this section, the management terms used in the business context will be translated to fit with that of HE. The fourth step involves developing a conceptual model containing the identified independent and dependent variables and refining the main research question as well as constructing a number of operational sub-questions. This will be followed by a section on the methods of data collection. Finally, the fifth step pertains to narrowing the scope of the operationalisation down to the areas for data collection and devising a master guide for the interviews.

4.1. Epistemology and ontology

In this section the ontological and the epistemological stances taken in this research will be explained. Ontology is a philosophical term that explains the way one thinks about the reality of the world (enquiry into the nature of existence); and epistemology explains what he/she thinks can be known about the world (Fleetwood, 2005, p 197). These fundamental viewpoints shape the way a researcher approaches a phenomenon and tries to investigate and understand it (methodology). Therefore, it is important to clarify the ontological and the epistemological positioning in this research.

Realism is a well-known ontology based on the argument that the world is independent from our knowledge and thoughts about it (Bhaskar, 1978). Therefore, a

realist social scientist is likely to argue that social entities such as markets, social rules and firm-customer relationships are independent of our knowledge about them (Ackroyd and Fleetwood, 2000, p 6). This argument is considerably different from positivists who are after discovering rules and laws that can explain the relationships between certain social entities (ibid, p 6, 7). A purely positivist approach is highly likely to lead to an empirical generalisation of findings that can potentially allow for predictions and conclusions in different contexts by relying on an initial set of data and a formula-like statement.

Postmodernism, however, is a different approach, which argues that the world is socially constructed. That is, social concepts are constructed by the plurality of perspectives, opinions and discourses of various groups of people. Therefore, postmodernism is clearly in contrast with the positivists' standpoint, but has some common ground with realism. The difference between postmodernism and realism is that whereas the former perspective rejects the objective existence of social world that is independent from its identification, the latter view acknowledges the existence of a real world, but stresses on its independence from our knowledge of it. In other words, postmodernism assumes that "the world is merely socially constructed or is determined by the concepts people hold about it" (Ackroyd and Fleetwood, 2000, p 8), while realism suggests that the world does exist, but with a distance from people's social constructs and thus offers different ways of investigation.

In recent organisational studies, in light of increasing attention to post-modernism, a turn from the realist ontology to the social constructivist ontology can be observed (Fleetwood, 2005, p 198). Consequently, terms like cultural, linguistic and structural have gained increasing importance in such studies. Despite seeing an intellectual merit in the postmodern turn, Fleetwood (2005) believes that it brings along some ontological ambiguity and confusion. He, therefore, suggests using critical realism as a fruitful solution to come to terms with the ambiguity caused by the postmodern social constructivist ontology and the shortcomings of the empirical realism, which is associated with positivism.

Critical realism (Ackroyd and Fleetwood, 2000, p 8), which is an advanced form of realism, takes a stance between post-modernism and positivism by arguing that our

comprehension and interpretation of the world is affected by our sense data, which are influenced by pre-existing conceptualisation (Fleetwood, 2005, p 199). Therefore, they accept that the world is somewhat socially constructed, but they prefer to “construe rather than construct the world” (Easton, 2010, p 122). This approach is more flexible than positivism, but still far from an interpretative perspective, including hermeneutics and phenomenology (Archer *et al.*, 1998; Danermark *et al.*, 2001). Putting it differently, critical realists argue that there are hermeneutic and interpretive factors involved that make it difficult to measure various elements in social science, so meanings should be understood not purely in a descriptive way but rather in a constitutive fashion (Sayer, 2000, p 17). Under this perspective, the role of science is to explain and explore a phenomenon from a number of different perspectives rather than objectifying reality. This exploration entails spotting causal mechanisms that connect social constructs to each other. In the critical realism school of thought, mechanisms play a central role by “offering a rich source of explanatory devices” (Easton and Araujo, 1993, p 122).

With regards to this research, as the focus is transnational higher education institutions and their strategies, it is clear that the intention is to study and interpret human actions and the evolution of inter-organisational strategies pertaining to phenomenon that is influenced by individuals’ perceptions of the world around them. For example, what can be seen and defined as local adaptation strategy by one manager of a TNHEI might be different from that of another manager. However, this researcher tries to avoid an extreme subjectivity and moves towards obtaining a clearer picture of the phenomenon of interest by applying a theoretical framework to the concept of transnational higher education. Therefore, the ontological approach adopted in this study lies between objectivism and constructivism (William, 2006) as the framework developed in chapter 2 seeks to objectify the phenomenon of localisation of foreign branch campuses to a certain degree. Notwithstanding this, as the strategies are designed and implemented by human beings, there is still a high level of subjectivity involved.

It is important to note that the majority of previous research in the area of transnational higher education has taken the constructivist approach and discussed the relevant issues in a very subjective way. The aim of this research endeavour thus is to

shift away from this treatment towards a more positivist approach. However, it is still explorative and explanatory in nature, that is, it introduces cross-disciplinary (i.e. business administration) insights to the TNHE field and conceptualises the issue of managing branch campuses. Therefore, a step is taken towards objectification of the important elements whilst taking a macro-level perspective in order to provide a holistic map in the focal arena. This objectification and movement towards a more positivistic approach contributes to reaching a “consensus for the systematic advancement of the knowledge, although not sufficient” (Pfeffer, 1993, p 600). In this research, therefore, the overall patterns of the phenomenon are identified and the relationships between the influential elements are illustrated, thus providing a point of departure for further studies.

In sum, considering that the phenomenon of establishing international branch campus is quite recent and therefore underexplored from the strategic management perspective, this research is of explorative disposition. Therefore, the most appropriate epistemological approach seems to be the critical realism, which allows for explorative investigation and interpretation of the social constructs in that context in a structured way, but avoids adopting a mechanical approach that leads to discover law-like statements.

In the next section, the relationship between the adopted epistemology and the suggested methodology will be explained.

4.2. Methodology, research strategy and design

The employed methodology in this research is the Qualitative Comparative Analysis (QCA), which is a case-based methodology that enables exploring “complex configurations of events and structures” (Ragin, 2004, p 125). Later in this chapter, a research model will be developed and the mentioned methodology will be employed to empirically test it in the succeeding chapter. However, since this methodology is somewhat different from the traditional case study, it is important to explain its logic and its resonance with the critical realism approach.

Easton (2010) argues that case research is an ideal match to critical realism. He contends that case studies cannot serve the purposes of positivism for not being great

in numbers hence unable to discover generalisable social rules, nor can they fully address the goals of interpretivism for they are “largely epistemological in their objectives” (ibid, p 127).

QCA is a methodology, which is developed by taking a critical realist stance on the social epistemology (Byrne, 2009, p 103), thus cases are treated somewhat differently compared to traditional case study methods. Ragin (2004, p 125) defines cases as “meaningful but complex configurations of events and structures- singular whole purposefully selected [...] not homogeneous observations drawn at random from a pool of equally plausible selections”.

The purposeful selection of cases is a key point in the QCA method as the aim is to corroborate or falsify a theoretical statement (Mahoney and Goertz, 2004; Rihoux and Ragin, 2008). For example, if a hypothesis argues that single gender schools cause lower learning outcome, we need – at least – one single gender school and one mixed gender school as cases to be able to test this argument. Of course, we should try to pick cases with greater contextual similarities in order to decrease the influence of surrounding issues on the result. That is, we should try to choose two cases from the same country, the same city, equal social class areas, etc., so that the outcome of the comparative case study will be less affected by those factors. “Implicit in most social scientific notions of case analysis is the idea that the objects of investigation are similar enough and separate enough to permit treating them as comparable instances of the same general phenomenon” (Ragin, 1992, p 1). The purposeful selection of cases in QCA, is therefore not an opportunistic action, for the reasons of selecting cases are very transparent.

Looking at the mentioned characteristics of QCA, Byrne (2009) explains the relationship between the logic of critical realism and QCA. He posits that the mechanism of QCA includes social construction not only for having an understanding of a social phenomenon, but aiming at exploring causal configurations of specific entities; therefore, the reality of the world shapes our constructions.

QCA is a case-oriented method based on which a dialogue between the researcher and the selected cases takes shape. All cases are inherently complex and thus the role of QCA is introducing some techniques to help reduce these complexities and reach some level of parsimony. Figure 4-1 demonstrates the relationship between QCA and funnel of complexity with regard to theoretical knowledge and case knowledge.

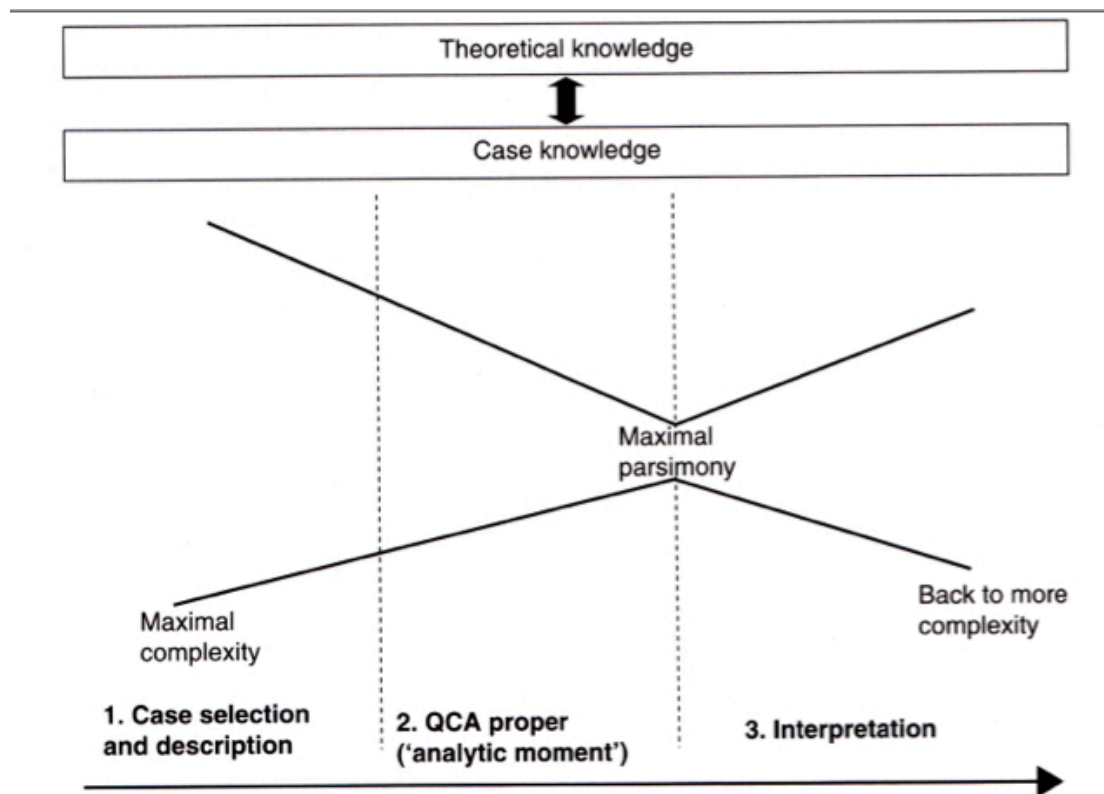


Figure 4-1- QCA and the funnel of complexity

Source: Rihoux and Lobe (2009, p 229)

In the above figure, the maximum amount of complexity can be observed in the first phase (case selection and interpretation). Performing QCA techniques diminishes that complexity and leads to the maximal parsimony. Finally, the result will be interpreted, which may require returning to the cases or adding more information to the analysis. QCA introduces a range of techniques from crisp-sets to fuzzy-sets. In this research, given its explorative nature the basic method (qualitative crisp-sets) has been utilised. This means that certain aspects of cases, which correspond to the variables in the theoretical research model have been studied and compared qualitatively. It must be noted that the sequential multiple steps of data collection and the semi-structured interviews, which will be explained subsequently in this chapter, have allowed the impacts of other factors (additional to the sought variables) be taken into account as well.

QCA is both inductive and deductive. It is inductive because it enables the analyst to probe into different aspects of cases and discover more from the data set (as opposed

to the indicator-selection approach in a deductive statistical approach), but at the same time it suggests that testable variables must be theoretically informed (Rihoux and Lobe, 2009, p 225). In this research, the overall orientation is deductive, although, it includes some cycles of inductivism. As presented in the previous chapters, the study started with reviewing the literature regarding the internationalisation of higher education followed by that addressing transnational education. Through the examination of a number of case studies and other relevant documents and drawing a comparison between them, it emerged that the I-R dichotomy appeared central to the main challenges that TNHEIs face. It is not claimed that the challenges that have inductively emanated from the literatures regarding TNHE are delineating the whole truth of the matter. However, it does appear that the main issues that have been deliberated on by scholars and practitioners in this area revolve around the I-R dichotomy. “According to this [inductivism] doctrine, inductive interferences are probable interferences” (Popper, 1959, p 29). This part of the work is inductive and therefore, it produces a considerable degree of reliability. However, the most prominent part of the research is about the application of the aggregated LIL model to the transnational education field and its subsequent empirical testing. This latter part of the study is purely deductive.

The figure below clarifies the orientation of this research.

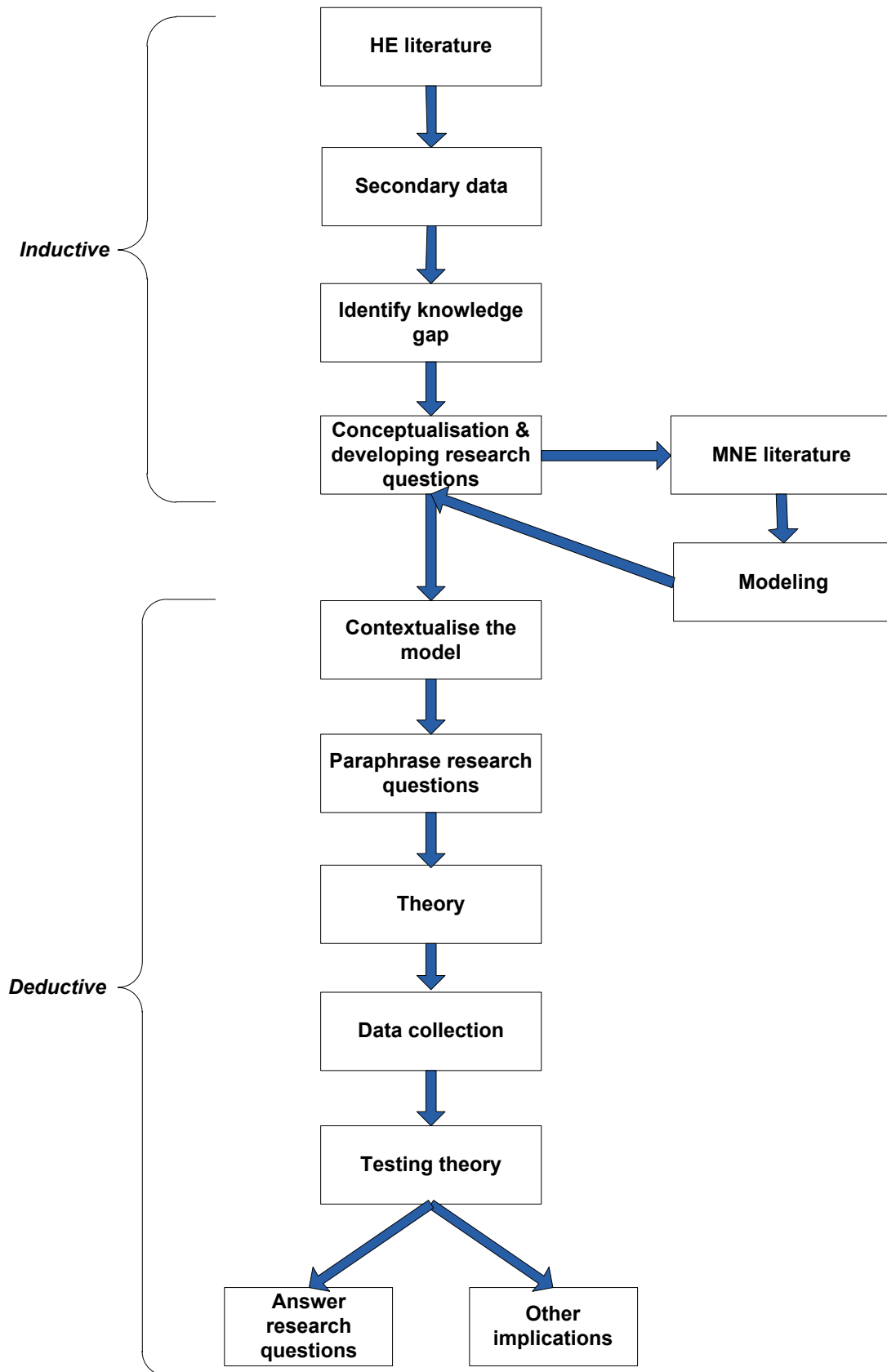


Figure 4-2- Research orientation diagram

4.3. Conjoining the aggregated LIL model with TNHE context

Further explanation is required as to how the aggregated LIL model, which is built on theories of multinational enterprises (although in the light of considering the specific characteristics of HEIs), assists in analysing the branch campus' stance on the I-R paradigm. It was argued (in the third chapter) that the aggregated LIL is capable of addressing both the social and the economic aspects of TNHEIs with a focus on the subsidiary. Here, this meaning will be further explored by comparing the elements of the aggregated LIL with the OLI paradigm (introduced earlier in chapter two), which is known as an economic model for MNEs. This comparison will demonstrate the areas of reconciliation of the two models. Furthermore, it will show that the aggregated LIL is a more suitable choice for analysing TNHEIs for it enables us to take into account the non-economic aspects as well in an explicit way.

4.4. Model match

After discussing the special characteristics of higher education that distinguish it from other services and in particular its hybrid nature (see chapter three), it has emerged that the pure economic and non-economic models are not able to capture both sides of the hybrid structure. That is, cost-transaction based models can only cast light on the for-profit side of the business and, non-economic models neglect the fact that HEIs need to be financially viable. Further, the focus of non-economic theories/models is on the social responsibility of HE and its contribution to the knowledge society and capacity building as a public good; whereas the economic models would treat it in the same way as profitable entities.

In this section, the intention is to show the credibility, feasibility and suitability of the aggregated LIL model for analysing TNHEIs with regards to the branch campus's strategic stance on the I-R continuum. For this purpose, first, this process is explained from an economic point of view, which will allow for the identification of the issues that have remained untouched by the economic models. Subsequently, how the

aggregated LIL can cover the economic side as well as the non-economic side of the phenomenon is discussed.

4.4.1. Economic perspective

Establishing offshore branch campuses, from an economic point of view, is categorised under foreign direct investments (FDI) and one of the most widely applied models for international FDI is Dunning's eclectic paradigm, which was addressed in chapter two. According to Dunning and Lundan (2008b, p 67-73), the main types of MNEs regarding their foreign activities are: natural resource seekers, market seekers, efficiency seekers and strategic asset/capacity seekers. The majority of TNHEIs that have established branch campuses abroad to date are from the developed countries that have entered developing countries (a north to south direction). Therefore, they are less likely to be looking for technology and experts or physical resources, in general, and thus, they cannot be classed as national resource seekers. These types of institutions, however, are market seekers in a sense that they target an external market, especially the segment that cannot afford to go to the home country of that institution. Moreover, owing to the lower expenses of operations in most of the host countries, the tuition fees are generally lower, hence more affordable. TNHEIs with offshore branch campuses are also efficiency seekers, to the extent that they increase their economy of scope by reaching out to external markets. In addition, they may benefit from brain drain from the host to the home country. However, according to the literature of TNHE that was sketched in the second chapter, the most important goal for these institutions is advancing and sustaining their global competitiveness by increasing their brand visibility through reputational capital. Therefore, they can be categorised as strategic asset seekers as well.

The above interpretation of the aim of TNHEIs helps with the identification of the dimensions of competitive advantage for these institutions. That is, matching this view with the hybrid construction of HEIs, it can be seen that the competitive advantage for such institutions is not about increasing the market share and revenue, at least during the first stage. What they are after is consolidating their image into a broader range of consumers' minds and thus they position themselves in the

international market in a way that is expected to strengthen their reputational capital by increasing their brand visibility. The concept of reputation building is entwined with the notion of national responsiveness, for the more responsive a TNHEI is to the local society (by providing high quality service), the higher legitimacy that will be achieved and the stronger their reputation will become. It is expected that after the positioning stage, which is a lengthier process than that in other types of services due to the distinctive characteristics of HE, the TNHEI's financial profitability starts to grow. Therefore, in general the competitive advantage in the context of a TNHE comprises two elements, which are separated from one another in theory but have some overlaps in the real world. To put it more simply, in order to achieve a competitive edge a TNHEI needs to invest in its reputation, which is a relatively longer process than that for other types of services. On reaching a satisfactory level of legitimate embeddedness, a set of corporate activities aimed at boosting the financial status of the institution can be applied. However, this does not mean that during the first stage the TNHEIs' generation of profits should be allowed to stagnate and in accordance with the rules of the free market economy, they should try to break even. For a better understanding of this concept, it can be looked at through the OLI paradigm.

4.4.1.1. OLI paradigm in the context of TNHE

As explained in the second chapter, Dunning's eclectic paradigm consists of three elements: ownership advantages (O), location advantages (L) and internalisation advantages (IA). Accordingly, the eclectic paradigm's (OLI paradigm) logic says: "at any given moment of time, the more a country's enterprises - relative to those of another - possess desirable O advantages, the greater the incentive they have to internalise rather than externalise their use, the more they find it in their interest to access or exploit them in a foreign location then, the more they are likely to engage in outbound FDI" (Dunning and Lundan, 2008b, p 100).

4.4.1.1.1. O advantage (firm specific advantage) for TNHEIs

TNHEIs that establish at least one foreign branch campus have a number of ownership advantages over their competitors in the host market. It is very important to note that many TNHEIs follow a North to South direction of expansion, whereby they convey a package, which includes: expertise, knowledge, reputation and sometimes prestige to the host country. These are intangible assets that are expected to add value to the host country through the TNHEI's value chain. Clearly, tangible assets, such as teaching materials and academic staff are transmitted, but the distinctive selling points are the intangible assets. For example, there is a considerable propensity amongst the people in many developing countries, such as Malaysia and the UAE, for British or American degrees. What stimulates these market initiatives is not the curriculum or foreign staff per se, for it is more about the educational package offered, which contains reputation or prestige. Regarding this, having a reputable certificate increases the chance of employability upon graduation, but prestige and reputation cannot be achieved by an HEI in a short time and also requires high levels of investment. Therefore, they must be seen as scarce products and this scarcity that intensifies the student market competition, is an O advantage for most TNHEIs.

4.4.1.1.2. L advantage (country specific advantage) for TNHEIs

One of the most important location-based advantages for TNHEIs is the market opportunities that can be exploited. Not only can the market of the host country be targeted, but also the regional market can be aimed at in many cases. Moreover, the host country might have specific resources that cannot be accessed in the home country of the TNHEI. For instance, for cultural, geographical and historical research, it is a big advantage for the institution to be closer to the area of study. Further, it must be reiterated that the majority of cross-border HEIs partnerships have encountered serious problems up to now and therefore, many TNHEIs have changed their expansion strategy to forward integration by establishing branch campuses in order to have a greater control over their activities. Cooperating with local staff, who are seconded to the branch campus and experiencing a different culture, for a while, is a location-based advantage as well.

4.4.1.1.3. I advantage (internalising advantage) for TNHEIs

TNHEIs can benefit from networking with local industries. Some projects may be handed over from the local authorities and/or industries to the TNHEI that include both financial and experiencing privileges. Moreover, TNHEIs often benefit from brain drain and obviously, cannot be flagged by institutions, because of the possibility of the accusation of unethical activities being levelled. All these types of issues are internalisation advantages for the TNHEI and they add value to the O advantage of that institution.

4.4.1.2. *Deficiencies of the OLI paradigm*

The OLI paradigm, similar to other models that belong to the same school of thought, concentrates on a set of factors, which contribute to the existence of MNEs. Whereas, in this research the aim is to investigate how MNEs (TNHEIs in particular) manage their operations across borders with a specific focus on the evolution of subsidiaries (branch campuses) and hence, the eclectic paradigm is not the best approach to take. Regarding this, Birkinshaw (2000) identified two separated but interlinked schools of thought in the literature of MNEs, one being transaction-cost/internalisation and the other being based on organisation and management theories. Moreover, he contended that the former school of thought is mainly concerned with the existence of MNEs, whilst the latter one discusses the way that MNEs function.

Regarding this, Dunning and Lundan (2008a, p 575) pointed out that the earlier version of the OLI paradigm, which was rooted in transaction cost theory lacks a number of important dimensions. In particular, they argued that the eclectic paradigm is a static framework and therefore, it is unable to capture the: changes, movements and evolutions (dynamics) within MNEs. They also stressed that the paradigm is useful for determining the type of markets that are most likely to be internalised (existence of MNE), but it does not capture who internalises what nor can it explain the mechanism through which the internalisation takes place over a particular period. In addition to this, when Dunning and Lundan (2008a) revised this work they found

out that in contemporary MNEs, knowledge transitions, which are difficult to assess by transaction cost theory, play a key role. Hence, they concluded that institutional theory must be incorporated into their model to make it complete. In this regard, they pointed to the concept of institutional distance and the process of gaining legitimacy by the MNE affiliates in the host market, which are affected by the local institutions and the level of parental control (institutional duality). Therefore, in the dynamic version of the paradigm, after incorporating institutions, the O advantage is divided into three types, where O(i) represents the ownership advantages, which are based on institutions. In relation to this, they argued that institutions might not just impose constraints on transactions, but they may affect the ideologies and perceptions of managers. O(a) refers to asset-based advantages and O(t) represents transaction advantages and in order to capture dynamics they incorporated a time factor. For instance, it can be argued that O(i) and O(t) in time “t” may influence I and L advantages in time “t+1”.

4.4.2. Why use the aggregated LIL?

Despite the fact that the dynamic version of the OLI paradigm would appear to be capable of addressing the evolutionary functions within the MNE context, a number of managerial issues, such as the parent-subsidiary relationship (in terms of the degree of autonomy) and network optimisation are not directly pinpointed by this approach. In particular, the paradigm does not distinguish the role and contribution of a subsidiary in creating competitive advantage separate from that of the headquarters. Moreover, the subsidiary’s movements as a consequence of reacting to the local institutions or harnessing market initiatives, stay out of focus in the eclectic paradigm. It is posited that the aggregated LIL model covers all the elements of the OLI paradigm, but is also able to capture the dynamics of subsidiaries evolving in host markets and hence its adoption for this research. Later in this chapter, when operationalising the model in the HE context the ingredients of the aggregated LIL are decomposed and also at this stage all the elements of the eclectic paradigm (O, L, I) are addressed. Moreover, the LIL model provides a special mechanism of analysis that facilitates investigation of hybrid organisations, such as HEIs. That is, the

aggregated LIL compartmentalises the social aspects of subsidiary's operations from its economic side, which is not possible by using the OLI paradigm.

It was shown that HEIs in many countries with a free market economy and liberalised-deregulated higher education systems face a duality. On the one hand, they need to enter market competition so as to make revenue, whilst on the other hand, the underlying ethos of HEIs (as a public and positional good) does not fully comply with the notion of profit seeking. TNHEIs with offshore branch campuses experience this duality in an even more complicated way, for these institutions have to get involved with FDI, which requires a relatively large capital outlay and so the economic side of the business comes to the fore. At the same time, they need to attain an acceptable level of legitimacy in their adopted country with unfamiliar institutions, by strengthening the non-economic side of the business in order to present a higher level of local responsiveness and thus increase their positionality. This non-academic side is entwined with maintaining a high level of quality of educational service, which is not necessarily cost-effective (it is more likely to be costly). This is in line with the notion of positional competition, which was discussed earlier. Regarding this, by offering a positional good, the value of a TNHEI's operations is highly dependent on its social contribution. That is, they will become competitive upon creating a strong image, which can only be gained through social responsiveness. In other words, they need to reach to an acceptable level of legitimacy and if the TNHEI has a strong reputation in its home country (O advantage), it will be easier to consolidate its image in the host market. Once a reputation has been built in the host market, its increased brand visibility will reciprocally contribute to strengthen the main campus' international reputation (I advantage), which is shown by the concept of spillovers in the aggregated LIL.

To achieve a competitive advantage the TNHEI needs to accomplish both the economic and non-economic side. The aggregated LIL model introduces two different types of capital, each representing one side of the hybrid construction. Institutional capital is related to legitimacy building and the resource capital explains the profitability part. It is important to note that these forms of capital are separated in theory but in reality have overlaps. However, before reaching an acceptable level of legitimacy in the host society, it seems unrealistic to seek a satisfactory level of profit.

This is in line with the logic of positional competition, which argues that for positional goods, profitability comes through the product's social desirability. Since HE is also a public good and a service, social desirability is in a close relationship with social responsiveness. Therefore, a TNHEI, initially, needs to strengthen its reputation by increasing its legitimacy in the host market and then expect profitability through its reputational capital. Accordingly, the aggregated LIL model theoretically assumes its institutional capital as being the predecessor to its resource capital. Thus, the institutional capital is contributing to the creation of the threshold competences (legitimacy, reputation, public trust, etc.) and the resource capital does the same for the core competences. The combination of these two types of competences will lead to the reaping of a competitive advantage. The aggregated LIL's bare bone figure, which was presented in the previous chapter, clarifies this meaning.

It should be noted that in the aggregated LIL, the basic assumption is that the institutions are static, but it is accepted that the sub-national institutions, which influence the institutions at both local and national levels, evolve and the pace of this evolution differs from country to country. For instance, in emerging economies the institutions change continuously (Meyer and Nguyen, 2005, p 66). However, this study is not that much affected by this changing of institutions, because branch campuses have only emerged recently. Another important point is that in the empirical research the concern is not about the foreign market entry mode and host country selection criteria. Regarding which, earlier, in chapter 2, the forward integration of TNHEIs and their shifts from licensing and joint venture types to fully owned branch campus(es) was addressed. It should be reiterated that the research aim is not to investigate the reasons for the emergence of TNHEIs, but to find out about the strategic behavioural/attitudinal reactions of these institutions to the pressures and incentives for local adaptation, once the branch campus has been established.

4.5. Operationalisation of the aggregated LIL in the TNHE context

In the context of TNHE, the branch campus plays the role of subsidiary and the main campus is equal to the parent unit or headquarters. The more the branch campus conforms to the parental mandates, the more it evolves towards standardisation and

vice versa. The parental mandates in this research are restricted to the issues of curriculum packing and staffing, because these are the most crucial issues that the literature has pointed out so far. Regarding these, if the branch campus applies the same curriculum as the main campus (e.g. Monash University and CIBT's hub and spoke model), and transfers academic staff from the main campus to the host country (e.g. MSU), its strategic approach is called global standardisation. Conversely, if the branch campus designs and applies its own curriculum and recruits local staff from the host country (e.g. Stanford's programmes in China), its dominant strategy is called local adaptation. It is important to note that these styles are extremes and not likely to happen in reality. In fact, there is always a mixture of these two sides put in place by the HEI: the main challenge is to manage the balance. Moreover, the level of conformity of the branch campus to the main campus represents the branch strategy and the branch role.

In order to define the institutional duality in TNHEIs the meaning of some business/management terms, such as: institutional distance, the corporate immune system and the liability of foreignness, need to be explained in the context of HE. Institutional distance reflects the differences between the regulative, normative and cultural-cognitive institutional pillars of the home country and those of the host. For the regulative pillar, in chapter 2, various examples of different quality assurance systems were presented and it was elicited that the regulations on trade vary from one country to another (see McBurnie and Pollock, 2000, p 337). The normative pillar explains the routine ways that things are done to accomplish the mutual values of a country or a company (Scott, 2008, p 54,55) and there are several differences between these by countries and organisations. For example, it may be that in a home HEI, academic staff deal with some administrative issues, whereas in the HE field of the host country it is totally inappropriate for an academic to be involved with such issues. Consequently, because a particular type of behaviour is the norm of the host country, it is likely that the employees drawn from it will act in such a way as to pull the operations of the TNHEI away from the home country's standard *modus operandi*.

The cultural-cognitive pillar stresses "the shared conceptions that constitute the nature of social reality and the frames through which meaning is made" (Scott, 2008, p 57). In a case of a TNHEI, the perceptions of the local and the foreign staff of the quality

of education are often different as well as students having different approaches to the learning process. For instance, in some countries, like China and Malaysia, students are used to memorising and reproducing the same material as taught in exams, whilst in Western educational systems they are expected to use conceptual thought and critical reasoning, when they are tested. Consequently, a foreign lecturer who has travelled from the home campus of a TNHEI to its branch campus in another country would possibly face a difficulty in transferring his/her knowledge to the students and be unable to examine them effectively. He/she would have similar problems with local colleagues as they may well have different understanding of teaching and learning and thus, when it comes to assessment they may not be able to come to a consensus or be inconsistent with accepted practice.

As explained in chapter 3, the liability of foreignness (LOF) is the tacit part of the cost of doing business abroad, arising from three hazards: unfamiliarity, discrimination and relational. All of these hazards can be seen in the literature of TNHE, especially some of the case studies. Regarding the first, TNHEIs are unfamiliar with the trade rules and norms in the host country and also, at the start of their operations often have limited second hand information about the host country's educational market and the consumer behaviour (student's expectations), when compared to their local competitors (see Mohamad and Rashdan, 2006 and Mazzarol and Soutar, 2002 in chapter 2). Moreover, a discriminatory approach may be observed from the host state, however, in some cases it has been observed that the host country's government has given more leeway to foreign educational providers than their domestic ones (see Banks and McBurnie, 1999, p 268; Helms, 2008). Examples of this can be found in relation to national QA processes, where sometimes the foreign HEI has been exempted from a set of regulations. In addition, relational hazards can appear in the form of inter-organisational and collegial conflicts as the international staff are from different cultural backgrounds and thus, a lot of them may have different perceptions of academic practices (see for example Eldridge and Cranston, 2009).

Removing these hazards can be costly for the institution and they are not usually considered by the managers as being a part of the total CDBA, as discussed in chapter 3 and therefore, manifest themselves as unplanned for problems as the operation in

the host country get under way. In other words, the CDBA is much higher than expected owing to the LOF. Moreover, the greater the institutional distance, the higher the LOF and hence, the greater chance of failure in the foreign market.

According to the profitability-responsibility dichotomy and the need of HEIs for financial viability when operating in a foreign country (discussed in chapter 2), the TNHEI has to reduce the LOF by any means in order to diminish its overall costs and move towards ensuring its financial profitability. Therefore, it needs to fulfil its capacity in terms of the number of students with minimum marketing efforts and effectively responding to market initiatives (opportunities) in the host country. Moreover, it is logical attempt to lure the brightest students so as to increase the possibility of harvesting the best results in terms of retention and graduate success in the labour market. In turn, this will positively affect the institution's local prestige and thus, enable it to perform more strongly against the competition. Further, according to glonacal agency heuristics (Marginson and Rhoades, 2002), this success in the local domain will reciprocally influence the institution's competitive positioning in the regional and global spheres. Hence, responding to initiatives in the host market can improve the TNHEI's global prestige and give them an upper hand with the competition. The branch campus managers may realise that, for example, the curriculum needs to be changed and adapted to what students in the institution's home country expect or, for instance, alter the names of some of the courses, which are offered because people are unfamiliar with them (e.g. "industrial engineering" is used in the US and some other countries as equivalent to "operations management", which is used in the UK and some other countries). By so doing, they can communicate with the market and convey the message that the course of their choice is being offered at that branch. In addition to these examples, the managers of the branch campus may identify that using local staff can positively/negatively affect their image in the consumers' minds, thus the routine policy of the institution may need to be altered.

All of these attempts by the branch campus to adjust their practice and hence, evolve towards localisation of the curriculum and staff, results in the branch deviating from the home campus's operating model. However, it was mentioned in the first chapter that the majority of TNHEIs have been seeking greater control over their foreign operations and that is why most of them have switched from partnerships (licensing,

franchising, twinning programmes, etc.) to FDI mode (wholly owned branch campus). That is, this higher level of parental control over the branch campus is theoretically in contradiction with the latter's intention to evolve so as to be able to take advantage of market initiatives. In other words, the branch campus requires a higher level of autonomy to be flexible enough to be able to act upon different types of market initiatives in the host country, but the parent campus seeks a higher level of control. As discussed in chapter 3, the parent's resistance against the branch campus's entrepreneurship is termed the corporate immune system. Regarding this, in the case of Nottingham University's branch campus in Malaysia, the main campus has 100% academic control over the branch campus (Tham and Kam, 2008, p 363).

The parent unit's power is either structural or resource-based. That is, in TNHEIs the branch campus has to conform to the parent's mandates, either because of a high reliance on the resources coming from the home country or owing to the configuration of the organisation requiring any type of change to be permitted by the parent unit. The key resources include: curricula, instructions, teaching materials, exams, assignments, staff, reputation and knowledge (know-how). According to the LIL model, the subsidiary's adherence to the parents' demands takes place through mimetic, coercive and normative mechanisms. A peripheral subsidiary is more likely to be influenced by coercion, whereas a core subsidiary's process of isomorphism may address normative or mimetic accounts. As time passes, even a peripheral subsidiary can reach the maturity stage in its life cycle and turn into a core subsidiary. Moreover, a core subsidiary can cause a spillover towards the parent. For instance, if a branch campus conducts some research activities that are subject to the accessibility to particular resources that are only available in that host country, the branch campus will have a particular privilege and thus the knowledge and legitimacy might spill over to the parent campus. In addition, branch campuses potentially contribute to increase the brand visibility of the whole HEI and boost its economies of scope (see Verbik and Merkley, 2006).

A certain level of autonomy must be given to a branch campus, if it is to evolve and adapt to the local circumstances, thereby gaining external legitimacy, but even more liberty is required if market initiatives are to be harnessed. However, the corporate immune system acts to resist the granting of extra freedom to the branch campus, as

the integration of the HEI must be maintained across borders. Consequently, to keep this integration, the parent unit may try to control the branch campus through its bureaucratic hierarchy or it can also stick with the not-invented-here syndrome. On the other side, the subsidiary can undertake a ceremonial adoption approach (Kostova and Roth, 2002), which can have an impact on the TNHEI's internal legitimacy.

A number of examples were shown in chapter 2, where the branch campus mainly draws on the corporate identity (prestige and reputation) of the home institution to position itself in the host market. By relying on the home HEI's reputation, it is alluded that the host campus students are going to have a similar educational experience as the students at the main campus. Moreover, even if not mentioned directly, this is a general expectation of the students and this helps the TNHEI maintain a level of integration across borders; for if this global integration (standardisation) is breached, the branch campus will lose a unique resource and hence, it will be difficult to obtain a competitive edge.

The branch campus managers might be inclined to tailor the curriculum or staff recruitment procedures. However, they require not only as much tailoring as they need to gain a minimum amount of legitimacy to stay in the game and reduce the LOF, but also a larger amount of change towards localisation in order to stimulate consumer satisfaction, hence improving the organisation's reputation and exploiting the market. Meanwhile, as mentioned before, in addition to the parental desire of having a tighter control over the branch campus operations, mirroring the main campus (providing the same learning experience) may stimulate the market. In other words, in contrast with the assumption that the localisation of the curriculum and staffing can provoke market initiatives, it is possible that the not-invented-here syndrome plays a role, in particular, given that the majority of TNHEIs have taken a North-South expansion route. Regarding these matters, it has yet to be investigated whether it is cross-border integration that is appreciated by the market or local adaptation. Putting it differently, understanding is required as to whether, in the LIL model, the I supports the L(ext) or L(int) towards creating a competitive advantage for the TNHEI.

The market initiatives, which are received by the branch campus, are of three types: internal, local and global, with the two lattermost reflecting the market opportunities

in the host country and worldwide, respectively. For instance, Nottingham's branch campus in Malaysia is exploiting the Malaysian market as well as receiving lots of applications from other parts of the world (e.g. the Middle East, South America, etc.), due to its lower costs compared to the main campus in the UK and in 2006, they had 35% international students on their Malaysian campus (Tham and Kam, 2008, p 363). However, the internal market initiatives are the consequence of a competition amongst different branch campuses of the same HEI (e.g. the Malaysian and South African branches of Monash University), which act against the corporate immune system.

If a branch campus has more liberty to undertake the initiatives, the overall configuration of the TNHEI must be more decentralised in terms of resource allocation and decision-making. Conversely, if the TNHEI prioritises international integration, the branch campus will have less choice and have to conform to the parental assignments. Accordingly, as discussed in chapter 3, the type of initiatives can be reconfiguration, bid, maverick or leap-of-faith (Birkinshaw, 1998). That is, the processes of internalising and responding to initiatives vary depending on the nature parent-subsidiary relationship. Moreover, the mechanism of acting on the initiatives by the branch campus also depends on the accessibility to unique resources. If some of the key resources are not available in the host country or the branch campus does not have enough competence to develop these, those resources must be transferred from the home country and deployed. According to Rugman and Verbeke's (2001) model, non-location bound FSAs can be built in the home country and transferred to the host country (pattern III). For example, curricula can be packed at the home campus and unbundled after transferring them to the branch campus (e.g. Australia's Central Queensland University in McBurnie and Ziguras, 2007, p 48) or expert staff can travel and serve the branch campus. This consequently enables the main campus to have a resource-based control over the branch campus. Some intangible resources, such as expertise and reputation, will be transferred from the parent to the branch campus as well (see Edwards and Edwards, 2001, p 79) . Alternatively, the branch campus may utilise the non-location bound resources that are available in the host country to create FSAs, but under the structural control of the parent unit (pattern IV). For instance, it could recruit local staff or make changes in the curriculum after getting the parent's approval. Further, the branch campus might have the ability and

competence to turn a location-bound resource into a non-location bound one, which it can then exploit under the parent's supervision (pattern VII). For example, it can train a number of local staff and recruit them afterwards. If the branch campus utilises location-bound resources (pattern IV) it has the privilege of creating a subsidiary specific advantage and turning into a core branch. For example, the branch campus may be able to design some home-grown programmes that specifically fit the requirements of the host country by taking advantage of its location and having a better understanding of the local requirements.

The following table summarises the main elements of the LIL model and other important IB concepts in the left column and their brief translation into the concept of transnational higher education in the right column.

IB STRATEGY	TNHE
External legitimacy	The minimum amount of a branch campus' conformity to the institutional profiles of the host country just to be able to continue operating
Internal legitimacy	The minimum amount of trust and dependence of a branch campus to its parental unit that makes it identified by the parent
Parental mandates	Policies and instructions, which are diffused from the parent unit to the branch campus on how to manage teaching and research activities (e.g. curriculum, assessment, etc.) and how to recruit staff
Subsidiary autonomy	The degree of freedom of a branch campus to change the curriculum or alter the staffing policy without any parental permission
Institutional distance	The actual difference between the institutional profiles of the home and the host country(ies) in which the TNHE is operating
Institutional duality	A pair of forces, which are exerted on the branch campus and pull it in the opposite directions of integration and adaptation

Liability of foreignness	The tacit and mostly invisible part of the overall costs of running a branch campus in a foreign country that arise from: unfamiliarity, discrimination and relational hazards
CDBA	The overall costs of running a branch campus in a foreign country including the liability of foreignness
Consumer ethnocentrism	When in a host country, being a foreign HEI is regarded as unfavourable
Country of origin effects	When in a host country, being a foreign HEI is favoured by the society (students, employers, etc.)
Corporate immune system	The natural resistance of the parental unit against allowing too much autonomy to the branch campus that may lead the branch to deviate from the parental standards and become a separate entity
Market initiatives	Local, regional and global unexploited opportunities of recruiting students (particularly bright and outstanding students)
Spill over	The knowledge (know-how) that is developed by a branch campus and the legitimacy that is gained by that branch campus when diffused toward the parental unit
Network optimisation	The consequence of a competition amongst different branch campuses of a TNHEI to enhance the performance, both in terms of academic endeavours and profit making
Market development	Enticing a larger number of students from the host country or other countries in that region by a branch campus (exploiting more market initiatives)
Global integration (standardisation)	Providing the same learning experience for the students at the branch campus as the students at the main campus by standardising the curriculum and staffing

Local responsiveness/ Local adaptation	Conforming to the institutional profiles of the host country and homogenising with the local HEIs by adjusting the curriculum and staffing to the local requirements and circumstance
FSA	A competitive advantage, developed by the branch campus or the parent unit by the way they deploy their resources in order to capture the market initiatives
Defensive Strategy	A strategy to be undertaken by a branch campus that seeks a higher internal legitimacy and cross-border integration
Offensive strategy	A strategy to be undertaken by a branch campus that seeks a higher external legitimacy and local responsiveness
Global strategy	A strategy pursued by a TNHEI where the parent unit has a full control over the branch campuses and make them deliver the same curriculum with the same staffing policies
Multidomestic strategy	A strategy pursued by a TNHEI where the parent unit gives some autonomy to the branch campuses to tailor their curriculum and staffing to the local requirements

Table 4–1- Contextualisation of the aggregated LIL in TNHE

4.6. Research conceptual model

After operationalising the framework in the HE context, based on the research questions, the dependent and the independent variables need identifying. The following figure depicts the relationship between the elements of the aggregated LIL and the outcomes of the strategic choice of branch campuses of taking a stance on the I-R paradigm. These outcomes have been derived from the multidimensional analytical framework that was developed in the second chapter.

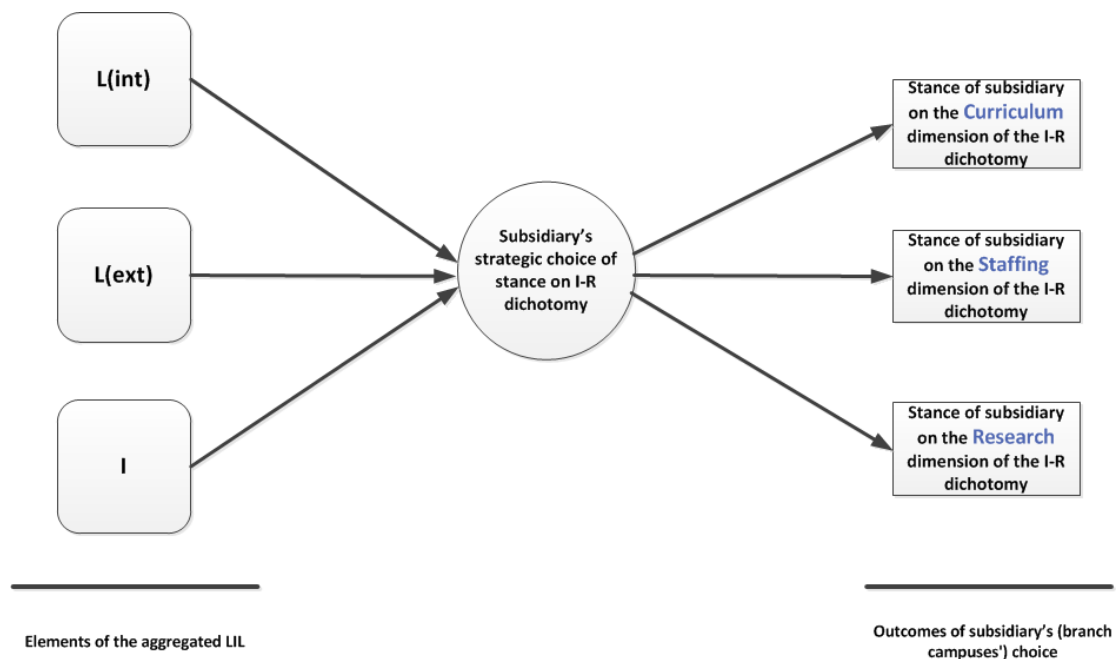


Figure 4-3- Relationship between the aggregated LIL, subsidiary's strategic choice and the outcomes of this choice

In this research, we intend to assess the impacts of the internal and the external legitimacies and that of market initiatives on the outcomes of the branch campus's choice, which in this context has been defined as taking a stance on the curriculum, the staffing and the research dimensions of the I-R dichotomy. Therefore, the following figure represents the dependent, the independent and the indicators of the independent variables. The model represents the three elements of L(ext), L(int) and I as the independent variables (based on the aggregated LIL) and the three dimensions of a branch campus's evolution: curriculum, staffing and research activities, as dependent variables (based on the constructed multidimensional framework). In the model, there are three boxes, each including the indicators of the independent variables. For example, the P-S relationship is an indicator of L(ext) and its value can be assessed by appraising the three sub-indicators of: parental mandate, parental control and spillover. The impacts of these three indicators on the dependent variables, when aggregated, represent the impact of the L(int) variable on the dependent variables. Similarly, FSA has been introduced as the indicator of (I),

however, the different types of FSA and the impacts of network optimisation and market development on FSA have also been shown in the diagram in order to clarify their relationships. Therefore, what will be used as the ultimate indicator of (I) is FSA, but the way that FSA is created by a subsidiary (either influenced by the network optimisation or market development or both) will also be investigated in the empirical part.

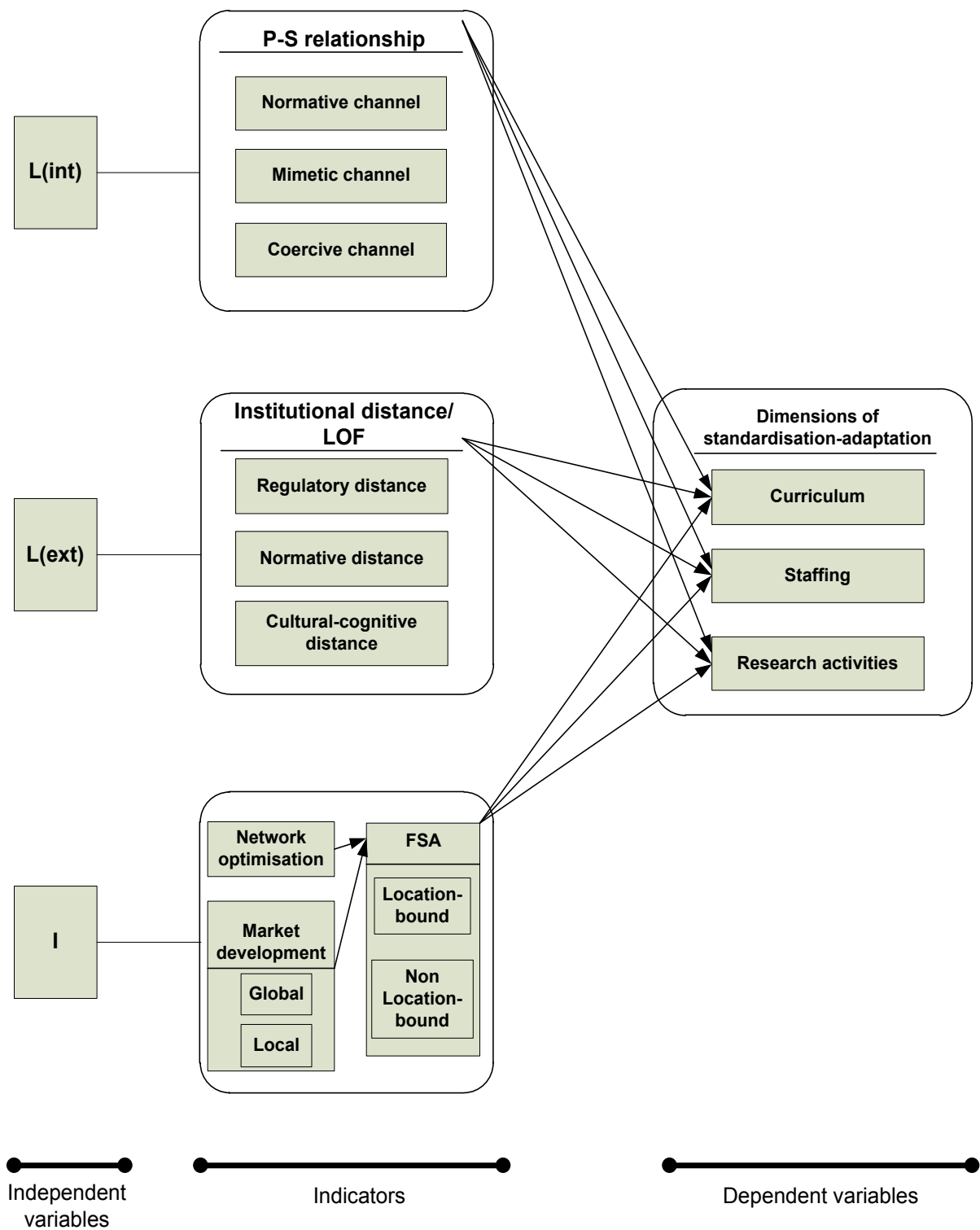


Figure 4-4- Research conceptual model

4.7. Operational research questions

Based on the above model, the initial research questions are rephrased as follows:

- 1- *How/to what extent does “L (ext)” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?*
- 2- *How/to what extent does “L (int)” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?*
- 3- *How/to what extent does “I” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?*
- 4- *Which element (or which combination of elements) among L(ext), I and L(int) has had the most significant impact on the strategies that have been crafted by each of the TNHEIs so far?*

Without judging the effectiveness of the undertaken strategies by the institutions (the research case studies), the aim is to explore the strategic behaviour of TNHEIs with regard to adaptation-standardisation of their curricula, staffing and research activities. Furthermore, the extent to which the positions of branch campuses of TNHEIs on the I-R dichotomy have been influenced by each of the identified factors (independent variables) is investigated.

The research questions guide the type of data to be collected that subsequently is applied to the model for analysis and the matrix presented below depicts the required data.

			Teaching activities	Staffing	Research activities						
L (ext)	Home country	Regulations				Institutional distance →	LOF	Institutional duality	TNE Strategy		
		Norms									
		Cognitions									
	Host country	Regulations									
		Norms									
		Cognitions									
L (int)	P-S relationship	Hazards				CIS	Subsidiary autonom	Subsidiary strategy			
		Parental mandate									
		Parental control									
I	Subsidiary entrepreneurship	Spill over				FSA	Subsidiary role				
		Initiatives									
		Network optimisation									
		Resource allocation									
		Consumer ethnocentrism									
		Country of origin effect									

Figure 4-5- Data collection matrix guide

The empty cells represent the data that needs to be gathered through interviews plus documentary analysis.

4.8. Data collection and analysis

In the third chapter the aggregated LIL model was developed and introduced as a new theoretical model, which is capable of addressing the influential factors on the branch campus's choice of stance on the I-R dichotomy. Moreover, it was argued that this model, being constructed by different building blocks, is capable of separating the economic and the non-economic motivators. Therefore, it is important to test the construct validity of the model.

Construct validity is defined as “establishing correct operational measures for the concepts being studied” (Yin, 2009, p 34). Similarly, Mills et al (2010, p 381) say: “[a] test's construct validity is the degree to which it measures the behaviour domain or traits that it was designed to measure. More specifically, construct validity can be understood as the extent to which the behaviour domain or the constructs of theoretical interest have been successfully operationalised” (see also Bagozzi *et al.*,

1991; Rowley, 2002). In quantitative research, confirmatory factor analysis is often used to test the construct validity (Bagozzi *et al.*, 1991). In this research, however, given its theoretical nature, this concept is defined differently. Thus, in order to test the construct validity of the aggregated LIL model, it will be investigated whether: firstly, the elements of the model (L(ext), L(int) and I), which are rooted in institutional theory and the RBV are appropriate concepts (measures) to address the social and economic motivators of branch campuses towards taking a stance on the I-R dichotomy; secondly, the concepts of institutional duality (represented by L(ext) and L(int)) and the market initiatives (represented by I) can compartmentalise the social and the economic motivators; and thirdly, the model is capable of encapsulating all different types of managerial complexities that are faced by the managers of international branch campuses when trying to position on the I-R dichotomy. Investigating these issues provides the possibility of testing whether the aggregated LIL is a suitable theoretical model (equivalent to the right measure in a quantitative research) to analyse TNHEIs. In other words, it will be investigated whether the model is capable of explaining what it has promised (construct validity).

This validity has already been examined against some existing case studies on TNHEIs. Moreover, in terms of the appropriateness of the used theories for analysing the economic and the non-economic influential factors, an extensive theoretical analysis was carried out in the third chapter within which the juxtaposition of the utilised theories was justified by drawing on Oliver (1997) and Deephouse (1999). However, primary data collection for an in-depth analysis will be presented as well. For this purpose, a multiple steps plan for data collection and data analysis was devised.

This plan includes two sequential complementary phases and the method of data collection in both phases is the case study. In the first phase, a couple of exemplifying case studies were carried out to examine the construct and the internal validity of the proposed framework, whereas in the second phase a comparative analysis was carried out on the selected cases plus four additional cases. An exemplifying case is a case that “exemplifies a broader category in which it is a member” (Bryman, 2008, p 56).

4.8.1. First phase

In the first phase, the aim was to test the construct validity of the aggregated LIL, with the ultimate purpose being to make sure that it would cover all the relevant issues and its constituents can address the economic and the non-economic motivators separately. To this end, a number of semi-structured interviews with the senior managers of two selected institutions were conducted, with questions being asked based on the data requirements presented in the above matrix. However, there was no time restriction and the interviewees could add any type of information. Moreover, they were asked to raise any point that they believed was relevant but had not been addressed by the interviewer during the interview, which helped in the appraisal of the validity of the framework.

The research questions, which started with “how” and thus sought an explanation of a phenomenon, led to the selection of the case study method, with the phenomenon here being the adaptation of foreign branch campuses towards the local circumstances, whilst being controlled by the headquarters. It must be reiterated that this phenomenon does not have a long historical background and therefore the academic research in the context of international branch campus is at a premature stage. Neither is there a robust field-proprietary theory that can explain the different aspects of this phenomenon at the organisational level, nor a theory in other disciplines such as management and international business that can directly be applied to this context. An MNE model that had been originally developed for for-profit organisations cannot explain the nonprofit side of TNHEIs. Therefore, it was necessary to dig deeply into the bottom line of the international branch campus establishment to identify the origin of the issues associated with the complex nature of those organisations. Additionally the lack of empirical research in this area was obvious. Thus, the most appropriate solution appeared to be taking an explorative approach, which can be best addressed by employing the qualitative method. If issues like the hybrid nature of TNHEIs, their positional strategies on the I-R paradigm, the strategic internal and external influential factors had been studied previously, it would be possible to move towards further generalisation of the outcomes and/or new theoretical developments by collecting a large dataset and performing statistical analysis. However, that was not the case for TNHEIs. Therefore, the QCA was selected as a case-based method.

Yin (2009, p 18) defines a case study as an empirical inquiry that:

“- investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.

- copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to coverage in a triangulating fashion, and as another result benefits the prior development of theoretical propositions to guide data collection and analysis”.

The characteristics of the case studies conducted in this research are in line with the above definition as establishing foreign branch campus is a contemporary and multidimensional phenomenon with almost unclear and unexplored patterns. However, it must be re-stressed that for selecting cases and analysing them the QCA guidelines that suggest purposeful case selection and performance of structured analysis have been followed.

As mentioned previously, the phenomenon (the branch campus establishment) does not have a long historical tail. Consequently, although the case studies are contemporary and are unable to shed light on the whole life of the branch campuses, the case studies will attempt to capture the current situation. Considering the fact that the operational history of most of the foreign branch campuses does not go beyond a decade, which is not a considerable period for an HEI, it is not considered as a longitudinal process in this research. Therefore, the selected case studies cover the administrative heritage of the foreign branch campuses, given that they are all either in the introduction stage of their life cycles or have just entered the growth stage. In other words, it is true that the backgrounds of the cases are probed, but the intention is not to conduct a historical analysis, because the historical backgrounds of the chosen cases are relatively short.

The *multiple case-study QCA method* that is used here has the intention of neither generalising nor particularising the implications in the first and the second phases.

What it is aiming at is investigating the construct validity of the elements of the developed model (the aggregated LIL) and its fundamental arguments and logics (internal validity) in the context of TNHEIs. The model has already been operationalised by relying on secondary data that was extracted from a number of existing case studies. However, those case studies were not merely focusing on the issues that are the concerns in this research and hence, only the relevant parts were utilised for operationalisation of the model. Consequently, subsequent primary data collection is essential in order to test the validity and applicability of the model.

This research is of an *explorative* and *explanatory* nature. Hence, it is expected to portray a holistic picture of the chosen phenomenon, demonstrate the patterns and dimensions and explain the processes and the mechanisms through which it takes place. Noting the limited number of cases to be used in the first and the second phase, the implications will not be generalizable and therefore, external validity is low. It does not particularise either in the first phase, as the samples are not necessarily selected from particular categories with special characteristics. What it is expected to do at this stage is elicit the strategies and forces for local adaptation to see whether they cover the elements identified in the proposed model. After testing the model a qualitative comparative analysis with additional cases is embarked upon in the second phase.

Once the framework has shown its ability to describe and analyse the chosen pair of cases, its construct validity and reliability (by sticking to the case study protocols) will have been endorsed. For this purpose, two international branch campuses were selected for the first phase of the study. According to the QCA principles, the reasons of selecting cases should be explained. The logic behind this selection was *replication* (not sampling). This is similar to multiple experiments, as the same set of questions was asked in both cases to see whether the findings would be duplicated. Consequently, at this stage (the first phase), the findings are not compared, for the aim is to find out whether the strategic issues raised by the interviewees could be covered by the aggregated LIL model and whether the logic of the model is able to explain the strategic choice of those institutions, separating the economic and the non-economic influential factors. The reasons for selecting these cases were:

- Both universities were research-based institutions that were fully embedded in their home countries. Therefore, their managerial decision-making was less influenced by factors, such as: lack of experience in teaching, carrying out researches, curriculum design, etc.

- Both universities were operating in Malaysia, hence subject to a similar set of regulations. Moreover, Malaysia has turned into a hub for higher education. Further, because campuses were subject to the same regulative barriers, this allowed for the assessment of the roles of the other drivers, such as market initiatives, in a greater depth than were it otherwise.

Five persons at senior management level, such as vice-chancellor or the branch manager and the faculty deans and heads of departments in the mentioned institutions were interviewed. Asking a similar set of questions in the same organisation but of persons in different positions increased the internal validity of data collection and provided triangulation where needed. The method of data collection was *semi-structured interviews* and the questions were developed based on the empty cells in the table (figure 4-5). It was initially expected that the heads of departments would know more about the curriculum and academic staff issues, whilst the senior managers would be more familiar with the overall organisational policies, trade barriers, etc.

Thus, the strategy for data analysis was qualitative in the first phase. Moreover, some information (e.g. courses being offered at the offshore campus, curricula if available, and recruitment policies, if announced) was accessed from the websites of those institutions and used along with the primary data to appraise the validity of the model. Furthermore, for this first phase this researcher travelled to Malaysia and interviewed the participants in person at their work places. The interviews were recorded and transcribed subsequently. However, a couple of the participants did not allow recording of the interviews and in these cases, the interviewer took notes instead. The collected data set was coded according to the variables of the conceptual research model and other elements in the aggregated LIL model. Meanwhile, the data was grouped under economic motivators and non-economic motivators. Grouping the data under those headings revealed that all of the issues of concern were covered by this

grouping. Additionally, it was observed that the issues grouped under market initiatives (I) were also grouped under economic motivators and the issues grouped in the category of non-economic were grouped under either L(ext) or L(int). This meant that the chosen theoretical concepts were the right measures to separately address the economic and the non-economic sides of the phenomenon. The indicators of each element (illustrated in the research conceptual model) were also tested in the same way. That is, for example for L(int) the collected data was coded once by L(int) and once by each of its introduced indicators (normative, coercive and mimetic channels). It was observed that all the issues that were coded under L(int) were coded either by normative channel, coercive channel or mimetic channel too and none of them were left out. This represented that these indicators are the right measures to address the L(int) in the context of TNHEIs. In other words, the construct validity of the aggregated LIL in the TNHE context was confirmed. However, it must be reiterated that testing this type of validity was not merely confined to the performed tests, but it was also supported by a theoretical debate. For example, the presented indicators for L(int) were borrowed from previous scholarship (e.g. DiMaggio and Powell, 1983), however their appropriateness for measuring the concept of L(int) in this specific context was also examined.

4.8.2. Second phase

The first phase acted as a pilot study for the second phase. Accordingly, the key stakeholders with noticeable impacts on the strategic choice of positioning of the institutions on the I-R paradigm were identified and it emerged that academics and students were playing key roles. From the perspective of the aggregated LIL, academics' views would help to shed light on the intersection of L(ext) and L(int) and student's views could aid comprehension of the market initiatives.

The strategic approach adopted for the data collection and analysis of the second phase is *analytic induction*, which can also be termed *iterative*, where “there is a repetitive interplay between the collection and analysis of data” (Bryman, 2008, p 539). Because the construct validity of the framework was confirmed in the first phase, in the second phase a comparative case study analysis could be conducted,

which included four extra cases being added to the two from the first phase. These included another foreign branch campus in Malaysia and three branch campuses in Singapore, resulting in there being three cases for each of the host countries. All the headquarters of the selected institutions were in either UK or Australia. Since Malaysia and Singapore are the most important educational hubs in South East Asia and UK and Australia are the leading HE providers in that region, the practical implications of this study can lead to several insightful lessons for many other TNHEIs with offshore branch campuses. All the selected institutions are research-intensive universities with considerably long administrative history in their home countries.

One could argue that including American international branch campuses would be more insightful given their longer history of operations and their great proportion. The American cases were excluded from this study for the following reasons:

Firstly, the purpose of the empirical part of this research is to appraise the suitability, applicability and the analytical utility of the developed model and it is not aiming at generalising the findings. Had that been the purpose of this research, a wide range of cases by different historical backgrounds, geographical locations, etc. should have been studied. But, the current cases could well serve the purpose of this study and there was no need to include the American cases. Secondly, the number of studies on the American international branch campuses, especially at the organisational level, is very small. Therefore, by choosing an American case we would run the risk of not having sufficient secondary data, which were already available on some British and Australian cases. Thirdly, the steps taken by most of American universities (at least those with histories of international branch campus longer than 20 years) towards internationalisation (establishing branch campus) are different to the selected cases for this study. That is, the older American branch campuses abroad were established with the purpose of serving American citizens abroad, not the local markets in the host countries (Green *et al.*, 2008a). After several years of operation and thus reaching a certain level of local embeddedness, these institutions started expanding their business by recruiting from the host markets. Whereas, all of the cases selected for this study established their international branch campuses targeting the local and the regional markets and therefore had to simultaneously respond to the needs for external legitimacy via local embeddedness and harness market initiatives. This fundamental difference led to a choice to preclude American cases from this study.

Similar to the first phase, the corporate elites of the organisations were approached. Interviewing corporate elites is a method of data collection, which is mainly utilised for qualitative analysis. This method has received convincing academic support from scholars (see for example Conti and O'Neil, 2007; Stephens, 2007). Pettigrew (1992) asserted that the importance of studying managerial elites as individuals who are at the positions of authority and hence, influence the strategies of organisations. He defined them as "position holders or formal groupings of individuals, that power lies with those at the strategic apex of the organisation" (Pettigrew, 1992, p 163). Moreover, corporate elites are the political actors who are involved with processes, thus are one of the best sources of data (Tansey, 2007). Welch et al. (2002) emphasised the role of corporate elites as informants in IB research, referring to one as "an informant (usually male) who occupies a senior or middle management position; has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and frequently also long tenure with the company; processes a broad network of personal relationship; and has considerable international exposure" (Welch *et al.*, 2002, p 613).

The sample of interviewees matched the above definition and in total, there were ten – nine men and one woman - participants, who were all at senior levels. Whereas, the interviews from the first phase were conducted face to face, the second phase interviews were by telephone, each taking between 30 minutes to one hour. Similar sets of questions were asked of all participants. However, based on their personalities and willingness to contribute, some interviewees gave very concise answers, whilst others disclosed a lot of detail. The semi-structured design of the interviews allowed the researcher to play an active role during the interviews. For instance, when the interviewee gave a very short answer to the question, which did not cover all the expected angles regarding a particular matter, the researcher developed new questions, which would complete the uncovered aspects. Some interviewees avoided giving direct answers to some questions and tried to talk around the subject. One of the interviewees, who was an academic with political science background, tried to impose his personal view on the design of the research. He tried to convince the researcher that the questions must be related to the governmental regulatory policies and not the organisations' strategies. Another interviewee appeared to be more

interested in getting information from the researcher on the subject than giving it. In all cases, the flexibility of the designed structure of the interviews enabled the researcher to collect the relevant data by: paraphrasing, repeating or changing the question whenever necessary.

The collected data from the secondary sources, such as the universities' websites and published documents (e.g. the British Council's market intelligence reports) were used to validate the collected information from the interviewees. Moreover, for those institutions that had more than one participant in the study, the provided answers from the different interviewees were contrasted to make sure that they were not contradictory. The data collected from the secondary resources, such as the British Council's reports (2006a, 2006b, 2006c, 2006d; Website, 2011f, 2011e) and the i-graduate's report (2007; website, 2011b) helped to analyse the institutional profiles of the two host countries. Moreover, the required data for analysing the market characteristics in the two countries were achieved from these reports. Of course, the interviewees were also asked to reflect upon those issues and the findings from these resources were analysed all together. The data collected from some other secondary sources such as the World Bank's website (2011i) supplemented the data set in the area of the host countries' institutions. The data set used for analysing the institution's strategic choices, however, was collected from the primary resources. These findings were validated in two ways: firstly, given that the number of interviewees at each institution was more than one and they were interviewed individually, the answers to the same questions were compared and contrasted to make sure that they are not contradictory. Secondly, the mission and vision statements (in some cases organisational value statement and strategy plans) were collected from all of the institution's website and then analysed. The findings were compared to the findings from the analysis of the interviews, especially with regard to the economic-social duality.

It is important to note that this way of selecting interviewees is non-probability sampling (Tansey, 2007). That is, the purpose was not to have a sample that represents the whole community of managers of TNHEIs, but to include a number of the most influential political actors at the senior organisational levels of the selected institutions. Not only are these actors aware of the strategic challenges that are facing

their institutions, but also they are actively involved with the processes, affecting them and being affected by them. Further, as mentioned earlier, the academic staff and the students are two key stakeholders, whose views must be reflected in the analysis. However, the initial plan for collecting data from those groups (see appendix 1) faced some practical difficulties and therefore, the required data was supplemented using secondary sources, such as, marketing intelligence reports and other pertinent documents.

All the primary and secondary data was coded by using NVIVO² (version 9), which is a widely used software for qualitative analysis and the elements of the aggregated LIL were used to categorise the data, with, ultimately, 19 nodes (including sub-nodes) being identified. For the constituent nodes of market initiatives (I) another layer of coding was added to explore the market characteristics in a clearer way. A separate account using the software was also created to group the issues related to Malaysia and Singapore and these nodes were used to carry out comparative analysis between the two host countries.

4.9. Ethical considerations

In this research, some sensitive issues are addressed, such as: marketisation, commodification and their impacts on TNHE as well institutional strategies that most HEIs do not want to share publically, being touched upon. During both phases of the study it became apparent that TNHEIs are very reluctant to grant permission to survey their staff and students. Although some people were happy to be identified, because a number were reluctant for this to happen anonymity and confidentiality at the organisational and the individual levels was decided upon for cases.

² http://www.qsrinternational.com/products_nvivo.aspx

Chapter 5

Empirical results and analysis

CHAPTER FIVE

Introduction to chapter

In this chapter the proposed research model is tested. By relying on multiple sources of data (primary and secondary) the indicators of L (ext), L (int) and I are highlighted and the stances of TNHEIs on the three dimensions of the I-R dichotomy, namely curriculum, staffing and research activities are investigated. Further, the impacts of the independent variables on the dependent variables are assessed.

Both of the primary and the secondary datasets were imported to the software (NVIVO). These datasets include the transcriptions of all of the conducted interviews, articles, market intelligence reports, governmental documents and the data collected from the web. Since some of the data had been coded during the first phase of the study (when testing the construct validity that was explained in the previous chapter), those codes were taken as a point of departure. However, additional codes had to be identified to help classifying the data in some sub-categories. For example, with regard to the market initiatives, it was important to look for codes that e.g. would represent market segments, market preferences and market competition. Therefore, reviewing all of the interviews and the collected data from secondary sources started and the data was coded under the previously (first phase) identified nodes plus a number of newly created nodes.

Different queries were created and performed to the database of nodes to filter out all the related issues to that specific part of analysis.

The following figure, which has been exported from NVIVO, demonstrates a map of the created nodes. It helps to explain a) the structure of the analysis b) the structure of this chapter c) the relationships between the nodes and the utilised sources of data.

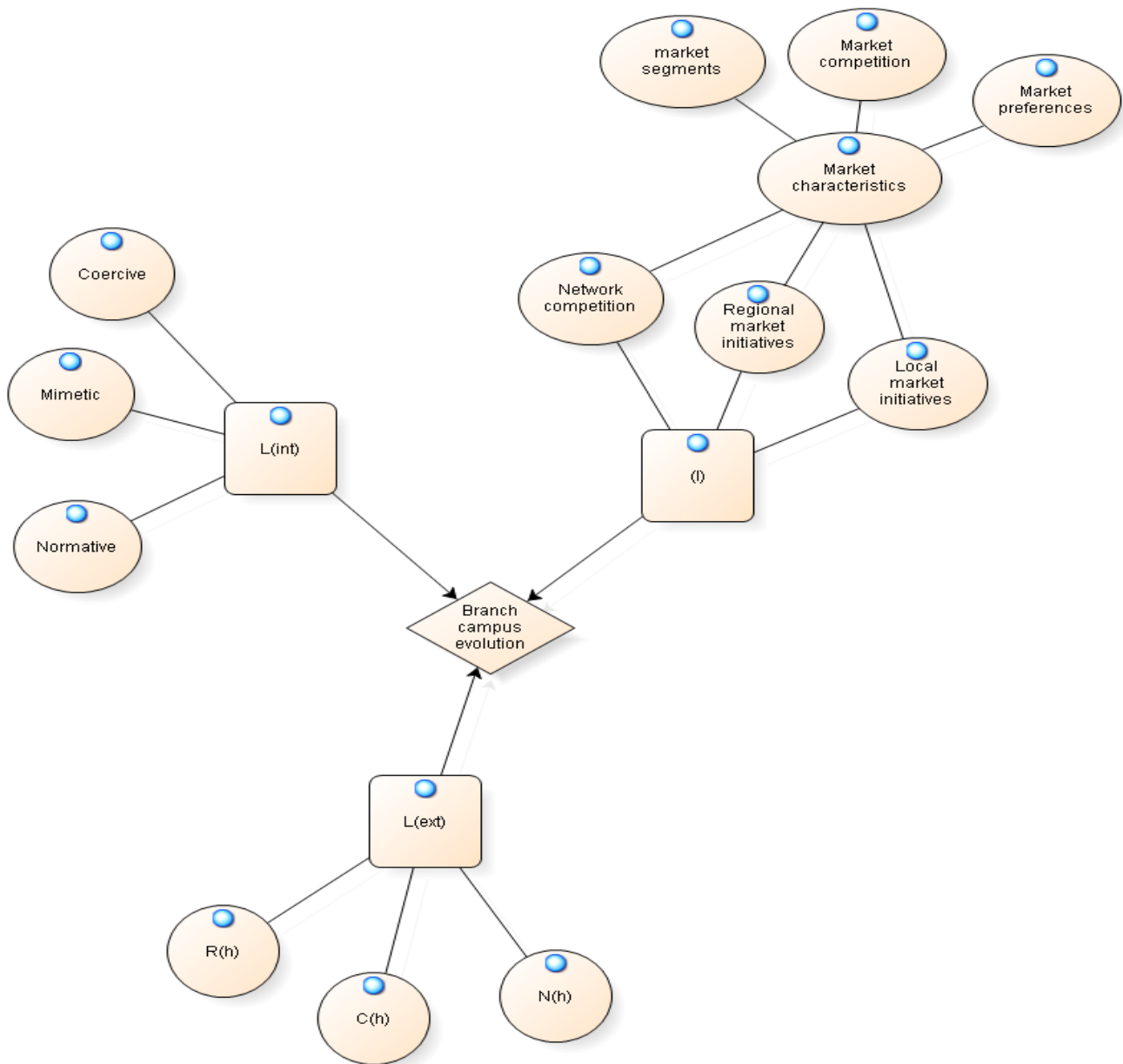


Figure 5-1- Coded data nodes

In the above diagram, a diamond shape has been used to show the stance of the branch campus on the I-R paradigm, which itself includes three nodes (branch campus's choice) of curriculum, staffing and research (the dependent variables). We have not shown these nodes in the diagram to avoid extra complication, but they were defined in the software and the related information was coded accordingly.

The three independent variables are distinguished by rounded rectangles (L (ext), L (int) and I). The data related to L (int) has been categorised under three nodes of

coercive, mimetic and normative. The three indicators of L (ext) are C (h), R (h) and N (h) nodes. The indicators of (I) include the market optimisation, the regional and the local market initiatives. However, to be able to investigate these effects and code the related data, we had to look at the market characteristics. Therefore, another layer of node(s) has been added, which is labelled as market characteristics with three “children” nodes, namely market competition, market segments and market preference. Exploring and analysing the market characteristics provides foundations for appraising the impacts of the market initiatives on the strategic evolution of branch campus. There are three arrows depicting the impacts of L (ext), L (int) and I on the dependent variables.

As mentioned earlier, multiple sources of data, including primary and secondary are used in this analysis. The reason for drawing upon different sources of data lies in the structure of the aggregated LIL model. This model suggests taking into account the external and the internal influential factors simultaneously. Since the cases must be selected from at least two different countries – in order to allow for testing the impacts of external legitimacy imperatives through comparison – the institutional pillars of those host countries should be explored. The primary data that is collected from the interviews with a number of corporate elites is not sufficient to shed light on the institutional exogenous forces by which their institutions are affected. Therefore, secondary datasets including a number of articles (e.g. Knight, 2011; Knight and Morshidi, 2011; Mok, 2010; Morshidi *et al.*, 2011; Sidhu, 2010; Sidhu *et al.*, 2011), reports and documents (British Council report, 2006a, 2006b, 2006c, 2006d; Course, 2009; PEAD document, 2009; e.g. i-graduate report, 2007; QQA, 2004; MQA Website, 2011c) are utilised along with the primary data to spot on the institutional profiles of the host countries. The primary and secondary data are triangulated to enrich the dataset and enhance the quality of analysis. However, it should be noted that the major source of data for analysing L(ext) is the secondary dataset.

In order to assess the L(int), however, we relied largely on the primary data. This is because the L(int) is associated with the parent-subsidiary relationships, which is an intra-organisational parameter. For example, when analysing the strategies of the selected universities regarding staff recruitment, the only and the most important data source was the interviews for this is an internal issue for organisations and such information cannot be found elsewhere. Therefore, the sources of data for examining

L(int) are limited to the primary dataset. However, the results obtained from analysing the L(int) are checked against the results of some similar studies in the same context and they happened to be consistent (an inconsistency in this case would not change the implications of the study, but it would raise some extra questions to be answered). For analysing the market initiatives, not only did we use the interviews, but we also used a set of exclusive reports from the British council and i-graduate (i-graduate website, 2011b), conducting qualitative and quantitative research on the markets of TNHEIs in Malaysia and Singapore. Using these secondary data sets was necessary because the primary dataset could only reflect on the market characteristics of those students who were enrolled at the selected institutions, but would not help us to understand the actual characteristics of the market at the national level. However, similar to L(int) and L(ext), the characteristics of the student markets that were identified by the interviewees and those highlighted by the secondary reports were triangulated.

Additionally, vision, mission and value statements of the studied universities have been extracted from their websites and summarised in a table. This data has been used for checking the alignment between the implications of this study and the set of objectives at which those organisations are aiming. At every section in this chapter, the utilised resources and the way they have been used in the analysis have been discussed in details.

The structure of this chapter is as follows. Firstly, a brief introduction to the background of HE governance in Singapore and Malaysia will be provided. Secondly, the highlighted indicators of the independent variables will be addressed in the context of the cases studied. We present the most important quotations to produce a concise analysis and avoid unnecessary repetitions. At the end of each section, a short discussion and analysis on that particular section will be provided. Moreover, the impacts of that element on the three dependent variables will be analysed. At the end, all of the findings will be summarised in tables, which allow for cross-case and cross-country comparisons. These comparisons will yield a number of insightful implications. Finally, the main research questions of this research will be addressed.

5.1. Overview of the HE governance in Singapore and Malaysia

Malaysia and Singapore are both known as major education hubs in South East Asia (Knight, 2011). The Asian economic boom led to a greater need for a knowledgeable workforce. Therefore, the governments of Singapore and Malaysia decided to invest in their HE systems in order to keep pace with the regional economic growth. In other words, the need for boosting the knowledge economy was the major incentive for those countries to revise their HE regimes by embracing the neo-liberal approach to HE. The Knowledge Economy Index (KEI) developed by the World Bank (see <http://www.worldbank.org/kam> [20/5/2011]) confirms this point, although it shows that Singapore has performed better than Malaysia in developing its knowledge economy. KEI is a compound variable, which appraises the knowledge economy development of countries by calculating the average scores of each country on economic incentive regime, innovation, education and Information and Communication Technology (ICT).

Country	KEI	Economic Incentive Regime	Innovation	Education	ICT
Singapore	8.44	9.68	9.58	5.29	9.22
Malaysia	6.07	6.11	6.82	4.21	7.14

Table 5-1- Comparative scores of KEI and its indicators for Singapore and Malaysia

Source: World Bank's website (2011i)

However, the increasing demand for HE among developing countries and the high expenses of living and studying in Western countries created an opportunity for those countries to attract a part of the tertiary education market (mainly from Asia), taking it as an input to their GDP. Along the lines of privatisation of formerly public/state-owned HEIs, the two governments introduced reforms, which provided opportunities for foreign HEIs to enter their market (Sato, 2007). It was expected that the foreign universities would contribute to the knowledge economy by bringing along their expertise (knowledge transfer), intensifying the competition in the local HE market

and entice more students from other countries by enhancing the prestige and the image of those countries' HE systems.

Despite trying to liberalise the HE sector, some studies reveal that the two governments have not noticeably changed their authoritarian attitudes. This has been labelled as the clash between the state centralism and neo-liberalism philosophies (see Mok, 2010).

In Singapore, the policy shift towards the enforcement of the neo-liberal economic model commenced after 1997. This included launching the Global Schoolhouse Project (Knight, 2011; Sidhu, 2010), which aimed at globalising Singaporean higher education institutions. However, the government's high level of intervention with HEIs' operations is still a noticeable issue. Sidhu et al (2011, p 25) argue that "higher education policies [in Singapore] are not subject to market forces".

The Global Schoolhouse Project (Singapore Economic Development Board, 2011) is the dominant platform for Singapore's knowledge economy development, which has three major objectives: 1) encouraging world-class universities to establish operations in Singapore by providing financial support, 2) attracting 150,000 international bright students by 2015 to study in Singapore and 3) reforming all levels of Singaporean education to include the aspects of creativity, risk-taking and entrepreneurialism (Sidhu *et al.*, 2011). Accordingly, a number of top research-oriented foreign universities (mainly American) started operating in Singapore. For example, MIT and Duke University offered a number of graduate-level courses, Johns Hopkins University was invited to undertake research in medical disciplines and train doctoral students and Chicago Graduate School of Business was assisted by the Singaporean government to establish a branch campus. The Global Schoolhouse Project was further successful in attracting some non-American universities such as INSEAD.

In Malaysia, unlike Singapore, the process of privatisation started to supplement the lack of government's funding in the HE sector (Mok, 2010; Wilkinson and Yussof, 2005). Although the number of HEIs grew since 1962, the national demand for HE has always been considerably higher than the supply. The Malaysian government, therefore, allowed the private sector to provide HE services by introducing the Private Higher Education Act in 1996 (Morshidi *et al.*, 2011). The government is aiming to

have 60% of high school graduates admitted at public universities by 2020 (Mok, 2010, p 427). From 1998, the state-centralised model of governance was replaced by a more liberal model, which consequently gave more autonomy to 8 public universities and put them gradually in charge of financing their operations. This commercialisation reform induced the affected universities to franchise their degrees to private colleges. They also became more reliant on the students' tuition fees. Targeting international students, thus, moved to the centre of their marketing strategies. Planning to create an economic free zone, called Iskandar (Iskandar Website, 2011a), to invite more universities to establish branch campuses is a strong signal, which indicates the Malaysian government's further ambitions for positioning as a very strong education hub in South East Asia (Knight, 2011). For example, the British University of Newcastle established a campus in Iskandar by investing RM 350 million (~ USD 118 million³) to offer a range of programmes in medicine (Bernama, 2011) and the University of Southampton has signed an agreement with the Iskandar Education Enterprise to open a branch campus in that region by 2012 (Iskandar Malaysia news, 2011). The Malaysian government has facilitated these investments by spending \$100 million on buildings and infrastructures (The Economist, 2011).

In both host countries, the governments' authoritarian attitude caused some difficulties for the foreign HEIs (Mok, 2010; Morshidi, 2010). However, the level and the amount of restrictions imposed by the two governments have not been similar. The following table illustrates five indicators of governance models in Singapore and Malaysia.

	Singapore	Malaysia
Regulatory Quality	9.41	6.47
Rule of Law	9.41	6.47
Government Effectiveness	10	7.06
Control of Corruption	9.41	6.47

Table 5-2- Comparison of the governance models in Singapore and Malaysia⁴

Source: The World Bank's website, Knowledge 4 development scorecards section

³ Converted by using <http://www.xe.com/> on 3/08/2011

⁴ Data collected in 2007

Singapore scores considerably higher than Malaysia. This means that in general, the Singaporean government puts in place a stricter regulatory and controlling system. Since in the aggregated LIL model, the regulative profile of the host country has been introduced as a key exogenous factor, which influences the strategic evolution of the branch campus, we will compare and contrast the governmental educational regulatory frameworks in these two countries.

In the table below, a unique code has been dedicated to each interviewee, which will be used henceforth. Moreover, the position of each interviewee in the organisation has been indicated in the last column of the table.

Institution	Home country	Host country	Interviewee no.	Code	Position
A	UK	Malaysia	(10)	AM1	Vice-chancellor
			(4)	AM2	Associate dean of faculty of Education
			(3)	AM3	Dean of business faculty
B	Australia	Malaysia	(5)	BM1	Deputy vice-chancellor and head of Business department
			(9)	BM2	Head of education department
C	Australia	Singapore	(2)	CS1	Pro vice-chancellor
			(1)	CS2	Deputy chief executive officer
D	Australia	Singapore	(8)	DS1	Pro vice-chancellor
D	Australia	Malaysia	(7)	DM1	Pro vice-chancellor
E	Australia	Singapore	(6)	ES1	Associate campus dean and head of education department

Table 5–3- The participants, the institutions and the designated codes

5.2. Institutional profiles of Singapore and Malaysia (L (ext))

In this section, we focus on the regulative, normative and cultural-cognitive pillars in the two host countries and how they affect the TNHEIs' strategies. To this end, we draw on multiple sources of information including our interviews with practitioners, secondary case studies and background documents. The outcome of this part of analysis will shed light on the symmetries and asymmetries of the L (ext) force in the two different spheres. It will enable us to study how TNHEIs strategically evolve to respond to different L (ext) factors. To structure the analysis, we dedicate separate sub-sections to the three institutional pillars; however, as suggested by Scott (2008), they are not completely separated, thus some overlaps are unavoidable. We will point out the issues, which seem to be falling into the overlapping spaces under a separate heading.

5.2.1. Regulative pillars of the host countries (R (h))

The regulatory sets of obligations imposed by the host governments are twofold. One set is related to general trade rules, which includes regulations for money transfer, taxation, etc. The other set is about the quality assurance (QA) frameworks for HE, which have been designed and enforced by the states. The former set of regulations is not a considerable issue in our study, because the TNHEIs operating in Malaysia and Singapore are invited and thus supported (even financially in some cases) by the host governments. Moreover, none of the interviewees mentioned having problems with trade regulations, except for some difficulties with recruiting foreign staff. However, they did not consider it as a major problem. Some differences in the pools of academic labour market were observed between the two countries, which will be explored later in this analysis. In all of the studied cases, the branch campus has been registered as a private organisation in the host country. Despite carrying the name of the parent institution, the parent and the branch campuses are considered as financially independent entities. The branch campus, thus, purchases and imports services from the parent campus. These services include programme packages (curriculum, lecturer's guides, etc.), mentoring and staff training (usually from distance) and frequent moderation (both from distance and by physical presence). This is the conventional way of transferring money to the home institution.

The latter set of host regulations mentioned above (QA), is a more challenging issue for TNHEIs. Here, first we start analysing the two government's attitudes toward the regulation of the TNHEIs' activities. Then we pay in-depth attention to the imposed QA frameworks by the host governments, the regulatory distance between the home and the host countries and the institution's responses to those external forces.

Despite proposing liberal models of governance, the two governments seem to have maintained their centralised, top-down attitude. A report of the British Council in 2009 says: "With a vision to lead rather than administer, the government looms large in Singaporean life and is unafraid to develop long-term strategies involving major restructuring across the community" (Course, 2009, p 6).

Sidhu et al. (2011, p 27) describe Singapore as a "monolithic state with a small population, competent bureaucracy and a political class that is technocratically inclined". Despite highlighting the potential for further movements, the bureaucratic structure has been emphasised. It is obvious that a high degree of bureaucracy is in contrast with the liberal approach.

Morshidi (2010) argues that the Malaysian government has maintained the state-centric model, but it also shows interest in moving toward a more liberal model. He notes that the National Higher Education Strategic Plan 2020 (Website, 2011d), which has recently been introduced, shows a great tendency to give higher level of autonomy to universities.

The most comprehensive comparative study carried out to date on the regulatory regimes of Singapore and Malaysia in regard with the transnational HE provisions is the recent work of Mok (2011). He describes them as *authoritarian liberal* regimes, which is defined as a blend of a centralised state regulation and a liberal economy system. Mok (2011, p 63) labels the Singaporean and the Malaysian governments as market-accelerationist states, which proactively intervene to create and shape the market. The following quotations from the interviewees clarify this meaning. They also shed light on the different degrees of liberalisation of the HE systems at home and host countries.

Interview 4- AM2

With the UK, there is a greater degree of liberalisation in terms of specificities of policy. Universities are free to develop policies based on certain business models that they wish to operate. However, in a country like Malaysia there is a lot of central control in terms of HE goals and missions. These goals are driven by national aspirations of how the country wants to utilise these resources. Therefore, these regulations are imposed on HE service providers.

Interview 5- BM1

There are some noticeable differences between the Malaysian laws and the Australian laws that affect the policies undertaken by [...] University. These regulatory variances impose different types of restrictions to the institution both in terms of the labour laws and quality assurance.

The labour laws are much more supportive of the labours in Australia than in Malaysia. It gives a stronger bargaining power to the managers in the branch campus over the employees. Therefore, automatically the employees of the branch campus are under more obligations to conform to the institutional practices than those who work in one of the onshore campuses in Australia.

Interview 7- DM1

In terms of legal restrictions on international recruitment, they [Malaysian authorities] do make it a bit difficult in terms of contracts.

Interview 8- DS1

Well, it is difficult to go for everybody now. Even for Singaporean universities it is strictly regulated. This is mainly because the Singapore government had experienced difficulties with private providers of university courses. In other words, companies in Singapore, which provided international university courses, some of those companies are actually going broke.

The above quotations portray a general picture of restrictions imposed by the governmental regulations. They explain that the levels of liberalisation in the host countries are not the same as what they had experienced in their home countries. This difference has some impacts on their operations. However, none of the participants has seen the host regulations as a serious obstacle. It is evident from their comments that they are not very comfortable with the restrictions. However, it is expected from any transnational enterprise to seek less trade regulation and supervision from the host government and thus, TNHEIs are not exceptions. The only exceptional case was BM1's comment on the labour law, which seemed to be more in favour of the employer in the host country. However, the major challenge is conforming to different quality assurance regimes. It has been observed that although there are differences, conforming to dual sets of QA systems has not created a serious impediment either. The following set of quotations reflects upon QA, which is a sub-category of the host country's regulatory pillar (R (h)).

Interviewee 5- BM1

The regulatory frameworks, which are applied by the Malaysian ministry of higher education to the public and private HEIs are different (IPTA [Institut Pengajian Tinggi Awam, which means Public Higher Education Institution in English: http://www.mohe.gov.my/web_statistik/index.htm#ipta, author edition]) and IPTS [Institut Pengajian Tinggi Swasta, which means Private Higher Education Institution in English: http://www.mohe.gov.my/web_statistik/index.htm#ipts, author edition]). Academic activities at the branch campus are audited by two quality assurance systems. The former system is Malaysian quality assurance and the latter one is the Australian universities quality assurance system. The branch campus needs to satisfy and accomplish the both requirements. Two separate portfolios must be prepared for the two audits.

Interviewee 6- ES1

The Singapore government has introduced a QA framework, which we have to conform to like any other private HEI. However, we are not under the university status, so we come under a different framework that [domestic] universities do. So, we have to maintain particular set of standards to satisfy the Singaporean QA, which is not only applicable to universities, but to any business operating here. There are other QA frameworks that we have to consider as well. But, we also have to maintain the Australian QA framework. The content of the courses are all developed in Australia. The Australian QA framework is more or less acceptable in Singapore. We don't change any part of the content or assessments for the Singapore QA, because they already meet these standards. It is more about the process that we need to ensure that we meet the requirements.

Interviewee2-CS1

We have to conform to the both Australian and Singaporean regulatory framework. The Australian higher education regulatory framework has changed from AUQA[(Australian Universities Quality Agency, 2011), author edition] to TEQSA. The Singapore ministry of education makes it a lot more difficult for us as compared to the local universities.

Interviewee 9- BM2

We must conform to both Australian and Malaysian QA frameworks. There are not much differences as Malaysians trust the Australian QA system. However, there are different sets of documents to be prepared for audition. So, there is hell of a lot of paper work.

The following comments shed specifically light on the audit procedures and further clarify the rigidity-flexibility of the imposed quality frameworks.

Interviewee 3- AM3

We have inspections by the local government. There is a group of professors from local universities. Sometimes, they want something, which we cannot do. For instance, I remember a subject that they said they didn't like the mix between the assignment and the exam. We said well, it has to be identical to the UK, otherwise it becomes impossible to check on the symmetrical outcomes with the UK. So, we don't care about what they said. We don't listen to them. But, by not listening to them we don't lose our accreditation. These people only make recommendations. There is an agreement that the government here cannot check on the content or the curriculum. They check on resources. So, that has worked out well I think. This was different in the beginning. So, the government only checks on the resources and facilities. They check on whether we deliver as we have promised.

Interviewee 8- DS1

In terms of requirements, there are substantial differences between Singapore and Australia. In September 2009 the Singapore government brought in a new act called "the Private Education Act [(Private Education Act document, 2009), author edition]", which requires all international providers of education in Singapore to be registered with the council for private education. So, basically, we have to, now, follow the regulations of the council of private education by the Private Education Act, which requires us to do two things: firstly, we have to reapply for accreditation to deliver programmes in Singapore and secondly, in order for you to be able to recruit and teach international students in Singapore, now, you have to go through a second scheme called "EDU Trust", which requires you to obtain accreditation via sorting documentations and visits. Once you achieved that you can say that you are EDU Trust accredited and that's when you can start attracting international students. So, that's quite strict. And, the private education act covers all non-Singaporean universities and institutions from kindergarten to universities.

Interviewee 7- DM1

There is Malaysian qualifications agency, all courses have to be proved by MQA [(Malaysian Qualification Agency Website, 2011c), author edition], unlike Australia where there are reasonably rigorous accreditation and approvals but barely frequent. So that Australian universities should transform to TEQSA [(Tertiary Education Quality and Standards Agency Website, 2011g),author edition] this year.

Here is a bit more regulated for the foreign branch campuses than for the private-public universities in Malaysia. But having said that, recently they granted so-called self-accreditation status to 8 universities in Malaysia, four of them are branch campuses, 3 Australian and one British. Unlike previously where every time a course was introduced we had to get approval from the Ministry, now we can accredit our own programmes by the process that the mother university goes through to gain accreditation. So, it has shifted to a system of less regulation.

Interviewee 4- AM2

All programmes that we offer here are supposed to go through the Malaysia QA. They will look at the content and they look at what you are covering and you get approval at that level. Obviously there are certain criteria in terms of what they feel, can or cannot run. But, the criteria doesn't put us in trouble.

We are being audited by the UK as well as MQA. The requirements are more or less the same.

It is vital that we have local people on our corporation board to communicate and deal with the local authorities. Because they know many things about the local issues that foreigners don't. Lots of documents and correspondences are also in Malay. Our management, therefore, has enough local people who are familiar with know-hows to move things on.

In terms of dealing with the Singaporean authorities, we have not faced major difficulties. It has recently become very difficult for a private higher education institution, both locals and internationals, to get registered at the quality regime. But, largely, where we had to supply what was requested from us, it hasn't been such an impasse on us. We are ordered to obey two sets of quality regimes, TEQSA and the Private Education Act. I think the Singapore government is more interested in rules and regulations of teaching qualification, and campus social pastoral care of students, whereas TEQSA is more interested in academic quality and academic process and the Singaporean authorities do not really get into that. They rely upon the fact that the parent university is of quality significance to stand the rigor of making sure that things are done properly.

5.2.1.1. Discussion and analysis on R (h)

From the above set of comments on QA frameworks, we learn that foreign branch campuses have to conform to two sets of QA regimes: the QA framework of their host countries and that from their home countries. In cases of British and Australian universities operating in Singapore and Malaysia, not much discrepancy between the two frameworks was found (interviews with BM2, AM2 and ES1). Although, the host and the home countries have different attitudes toward education (interview with CS2), the differences do not create considerable difficulties for the institutions' operations, except a large amount of paper work for the dual sets of audits (interviews with DS1, CS2 and BM2). It is clear that the host countries have been cooperating and liaising with the private HE providers, including the TNHEIs. However, the increasing intensity of competition in both of the host countries and the increasing concern about the quality of education are signalling some changes to be made in the government-institution relationships. The Malaysian government has moved towards giving a higher level of liberty to the 8 top institutions at micro levels of operations (e.g. accreditation of every single subject), but greater overall responsibility too (interview with DM1).

The audits from Malaysian local authorities include suggestions for improvement, but not compulsory sanctions. They are checking whether the university maintains the standards, which it has promised (interview with AM3). There is no sign that the local authorities intervene in the contents of the subjects. However, there are some extra courses that the TNHEIs are expected to offer, based on the initial agreement between the state and the HE provider.

The Private Education Act, which is the QA framework introduced by the Singaporean government has brought more restrictions for the private HEIs (interview with DS1). However, as CS2 expressed, it was not an impasse on them, it only required lots of paper work for preparing documents and going through audition. Some of the interviewees felt that the Singaporean government is making it more difficult for TNHEIs (interviews with CS1 and DS1). These all delineate that a stricter QA system is being enforced by the Singaporean government. The governments of both countries seem to have high trust in the quality of foreign HEIs (British and Australians in this case), which enables the institutions to continue their operations without a lot of hassle (interviews with CS2 and ES1). However, some changes are being made under the recently implemented schemes (introductions of the Private Education Act in Singapore in 2009 and the MQA's new rating system for HEIs called SETARA09 in Malaysia in 2009). Particularly, the Singaporean government seems to be interested in putting more pressure on the private HE providers, whereas the Malaysian government seems to be moving towards a more liberal system, although currently for only a few number of selected institutions. The general attitude of the two governments toward commercialisation of HE explains these differences.

Comparing the regulatory systems of Singapore and Malaysia, our findings bear out the arguments made by Mok (2011). Despite having authoritarian liberal regimes and being market-accelerationist states, both of the host countries have realised that higher levels of autonomy should be given to the HEIs (Mok, 2010, p 422). In regard with regulating the TNHEIs, the Malaysian government seems to be acting in a more liberal way. This is because the Malaysian government has separate regulatory frameworks for the public and the private institutions. It is much stricter for those institutions that receive public funds (see Mok, 2011, p 67). However, the

Singaporean government has put a more systematic regulatory system in place (see Mok, 2011, p 75).

5.2.2. Normative pillars of the host countries (N (h))

The following quotations address a number of issues, which can be categorised under the normative profile of the host country. They reflect how this set of issues is impacting their operations and the extent to which the institution managers are concerned about them.

Interviewee 10- AM1

We must also understand the education context in Malaysia. It is not only them who should understand us; we are here to learn from the local environment too.

Interviewee 3- AM3

Students here have a lot more functional attitude than the West, because many of them are the first generation of the family. Some families have to make serious financial sacrifices, some others have sent their children overseas, so they want useful stuff and they want to pass. Whereas, the Western style is that students have a good time and enjoy themselves as well as studying and they don't worry that much about these sorts of things. Especially in most cases, at least one of the parents has been to the university [in the West]. However, when it is the first generation, people take more functional attitude. They want to pass their exams, no silly things. So, they like people who are very clear about their objectives and the lecturers here are very dedicated. So, students should be happy about our teaching materials. Our students here work harder than the students in the UK. The parents push them more. So, the intellectual ability is higher than the UK. UK students waste a lot of time on getting drunk, but students here work much harder. So, the exam results are virtually identical. The UK students who come here spend a lot of time on chasing girls and enjoying themselves, so they work less than the local students. In my own

class, the European students are a little below the Asian students. They are only here for a semester or two. In the UK students get slightly more first class degrees, while students here make up for it. All of them have to do in a foreign language, of course. But, they work a lot harder.

Interviewee 4- AM2

Any Malaysian institution, which has international staff, will be confronted with these issues. There are cultural adjustments that need to be made in terms of the way education is dealt with in that particular institution. Therefore, in selection of staff it's quite careful I think. (...) [Our institution] is very rigorous in terms of screening and selection. Above that, there is house training. All new staff have to do customised PGCHE (postgraduate certificate in higher education) programme. So, these are measures that you try to align the way they think and they look at teaching and learning.

At the school of education, we have a lot of fly-in staff from (...) [the main campus]. The feedback these lecturers have provided is that in general our students are far better than those who are enrolled on the main campus and they are pleased with the standards.

Interviewee 8- DS1

They have different approach to education, which is contrary in some ways to what's happening in the rest of the world. They still have the view that if you are in class you are learning. So for example, if you are an international student coming to Singapore you are expected to be on campus five days a week for minimum of 3 hours a day. While in Australia, you go to campus only for the period of your studies. In Singapore, they don't want the international students working. Because they believe that the attendance is very important. For instance, an international student must show up on %90 of classes. If they don't you should report them to the immigration and they could be barred from sitting examinations. So, quite stringent when a point of view comes up of appearance being seen as you are learning. Whereas in UK, US [and]

Australia, for example, there are so many ways that a student can learn, over the Ipad, over the computer, over the internet, but here is considered that attendance is vital.

5.2.2.1. Discussion and analysis on N (h)

The concept of normative profiles in the context of TNHEIs consists of two inter-related accounts. The first account includes the norms and routines to which home, local and international students are accustomed. The second account, however, concerns the differences between the attitudes of academic staff toward the values and routines of the academic career. The staff's overall perception of educational service is grounded in their philosophy of teaching, learning and knowledge contribution. Both students and staff have predominant understandings of these concepts, which are inseparable from their study/work background. In countries like Malaysia and Singapore, as DS1 and AM3 explained, the students' approach to education is quite different from that in the Western countries. While British and Australian universities are more concerned about issues like creative thinking and critical analysis, the traditional norm of education in those host countries suggests devoting a lot of time to memorising and reproducing in exam. Although the hard-working culture of domestic students, according to AM2 and AM3, has led to a high performance of students, it is likely that the impacts of the institution on the students' perception of university life in a long-term run, leads to dissatisfaction among the local stakeholders including students' families. It is evident from the comment of top manager AM1 that there is a demand from the local community that the university understands the local values and beliefs and adapts to it to some extent.

Moreover, since the staff's ethnicity and educational backgrounds are diverse in those institutions, putting a standard code of practice in place is a difficult task. Therefore, as AM2 mentioned, the TNHEIs need to adhere to mentoring and in-house training systems. Although changing some fundamental beliefs and attitudes of professional staff and taking them to a certain level of integration is considerably difficult. We will elaborate further on this point in the staffing section.

5.2.3. Cultural-cognitive pillars of the host countries (C (h))

Every organisation that operates in other countries would face these differences and tries to find solutions to diminish its negative impacts on its operations. It is needless to say that many organisations take the cultural differences as opportunities and take advantage from them. For TNHEIs, with a noticeably short history of operation in foreign markets, the process of learning about these differences and methods of balancing them would take time. However, the interviewees mentioned several cultural issues that they had encountered in terms of dealing with both students and academics. The following quotations are selected to explore some of these issues.

The first three comments below show the concerns of the interviewees regarding the issue of culture (none of the first three interviewees is local).

Interviewee 7- DM1

I feel it is definitely easier to deal with Australian lecturers than Malaysian lecturers. There are cultural differences. Also in terms of productivity, I'd rather have international staff.

Interviewee 8- DS1

Culturally I have experienced a few difficulties contacting and communicating with the locals. In many ways, Singapore has a quite Victorian approach.

Interviewee 10- AM1

There is a passive attention toward education amongst Malaysians, which causes some difficulties for us. There are some issues about the clash of cultures between the local and the international students, although not serious.

Some other interviewees were willing to explore the concept of cultural differences in greater details. The following quotations address different aspects of this concept.

Interviewee 3- AM3

What I found, which is more a cultural matter, is that people avoid confrontations. That's more East Asian. Conversely, my culture is like America, people are very rude and direct. [...]. So, the point is I am coming from a culture that people directly say what they mean, which saves a lot of time. But, here, people are polite, which I like; but they are so indirect. In their culture, they never talk about religion and politics, unless they know who they are talking to.

AM3 also pointed at how some of the cultural issues impact the research activities of academics. He said:

The big difference to me is that people write papers, but they don't want their colleagues to read it because they are afraid they get criticized. This is a very big mistake in university. When you write a paper, you should look for the smartest person around and ask for comments and criticism. But, they don't do it here. [...] So, in that sense it is not the type of university culture that produces high quality research.

This interviewee continued giving an example of how the concept of openness differs in the Malaysian culture and thus, how it affects the teaching activities:

People are very nice in Malaysia, but if we are talking about intellectual give and take this is a cautious culture. I was teaching a subject called Asian development. I asked about the change in Malays preference policies. Someone said if you say we've done a great job, then we can talk about it. Given that we are an established organisation, as long as you don't accuse individual politicians, we can talk about sensitive issues like corruption, etc. You can talk about Islam, as long as you do not criticise specific individuals. Once I discussed about the corruption of Malaysian government, not the current government, I talked about something in the past, but people are not used to discuss such things in large groups.

Another interviewee (BM2) also pointed at the notion of cultural differences in teaching:

[...]There are some cultural issues involved with this. For example, I remember once a female Muslim student complained about a lecturer who had set an example in class, which had some reference to sex. The student had felt uncomfortable with that.

It is obvious that the foreign institution must understand the local culture and, to some extent, adapt to it. As Interviewee 4 (AM2) says:

To create pathways in which UK and Malaysian staff and students can understand each other, we should change our attitudes. It's not just Malaysians who should change their view, but also UK people should do.

However, as we explained it as a dichotomy, the foreign institution cannot deviate much from the parent institutions' codes of conduct. For example, one of the interviewees (AM3) sets an example about a practice, which was completely in contrast with the principles of their institutions:

We had a case, one of our lecturers who has a PhD from (...) [a UK university] used to teach at a Malaysian university. The dean had told her that she had failed all her Muslim students and they were not supposed to do that. And then he ordered that the marks be multiplied by 1.2, but they realised that they couldn't do it because all the local Chinese students would go over 100, so they increased marks only for local Malay students. People know that here we would never do such a thing. People have moral issues with local universities.

The above case is an extreme example, however, in many other cases, the main problem is rooted in having different perceptions or attitudes due to the existing cultural differences. Therefore, in most cases, it is the matter of striking a proper balance between the two cultures. The importance of taking this balance is evident in the AM2's below comment:

This university is still developing its culture. The (...)’s [parent institution’s] culture cannot be easily translated here, it takes time. What has happened here is a sort of integration of the local culture and the UK’s culture.

The cultural differences are things like expectations and norms. For example, understandings of the basic philosophy of education are different. In the Malaysian context, education means earning a degree, whereas in the UK it means something else: getting experience, getting background, the exposure, etc.

Using local citizens at the managerial levels of institutions and running staff training programmes (the latter will be discussed in details in the staffing section) are instruments, used by TNHEIs to move toward a better cultural integration. AM3 says:

I have a deputy, who is a local citizen and he has been here from the beginning and I have a good level of trust with all the senior level staff. I discuss some issues that I’m not sure how things would be perceived here, with them.

However, AM2 believes that the presuppositions of students and staff about entering a foreign institution help reaching a better level of integration:

When they come to (...) [this university] in the first place, they already have a sort of understanding that they are coming into an international institution and expect it to be different. That’s why they are willing to make some adjustments and we, on the other hand, have to do adjustments to accommodate the transition between where they are coming from....

5.2.3.1. Discussion and analysis on C (h)

Similar to N (h), the cultural issues are related to both students and staff. The existence of some cultural differences between the local and the international students was pointed out by AM1, but described as not being a serious issue. However, a set of

cultural peculiarities, which brings certain restrictions on the content of subjects are addressed by most of interviewees as noticeable concerns. AM3 and BM2, in particular, mentioned limitations on the freedom of speech in the areas of politics and religion-related topics. Obviously, these restrictions are imposed through the informal institutional channels of the host country; hence, categorised under C (h). Unlike social science and humanities, these barriers are to a lesser extent applicable to other disciplines like engineering courses.

The most important cultural controversies highlighted by the interviewees are related to the relationship with staff. Lack of enthusiasm in collaborative research activities, having a passive attitude towards education, low levels of productivity, avoiding direct and candid conversations and discriminatory assessment of some students against the rest are some issues, which were brought up by the respondents. AM2 indicated that it is not easy to translate the institutional culture to the local staff.

5.2.4. Overlaps of the institutional pillars

The aggregated LIL model has drawn on Scott's (2008) institutional pillars. The regulative, the cultural-cognitive and the normative pillars have some overlaps. We highlighted and discussed the relevant issues to N (h), C (h) and R (h) above. Now it is time we tapped on a number of elements, which fall into the overlapping areas. In our data set, a number of issues were found, which fall into the shared area between C (h) and R (h).

One of the British Council's reports on Singapore's education market points at the lack of freedom of speech as a cultural theme. The author emphasises the state's attitude, which further enforces these boundaries by dominating information channels and strictly regulating the media (Course, 2009). Nevertheless, this report argues that some signs of liberalisation have been witnessed in that area, thanks to the increasing popularity of online discussion forums and blogging. The governmental regulations sometimes correspond with the society's expectations. Course (2009, p 17) claims that in many cases, the government is held back on some issues such as religion, race and sex by the Singapore's conservative society. In particular, in terms of art, design and media-related subjects, the government is inclined to maintain a high level of

control over the contents and resort to censorship in some cases. The Media Development Authority (MDA) is an extra regulatory body, which checks on the delivery of art and media-related subjects (Course, 2009, p 44).

5.2.5. The impacts of L (ext) on curriculum, staffing and research

The collected data from the different primary and secondary sources and the above categorisations depict that the greatest impact of the L (ext) on the strategies of the TNHEIs takes place through the normative and the cultural-cognitive pillars, but not much through the regulative pillar. It is obvious that the host countries are liaising with the foreign providers, although the regulatory framework in Singapore seems to be stricter than that in Malaysia.

The impact of L (ext) through the regulatory pillar on the curriculum is not significant for the local audit teams provide suggestions, but do not force anything. All interviewees said that they were not being compelled to make changes in their curriculum. However, it must be noted that the Malaysian government requires the TNHEIs to run a number of courses along with their own curriculum as one of the interviewees (BM2) mentioned. According to the Private Higher Educational Institutions Act, a number of subjects like Malaysian studies, Bahasa Melayu and Islamic studies are compulsory for Malaysian citizens; but, these courses should be offered in addition to the curriculum offered by the private institution (Dobos, 2011, p 22). Therefore, we can conclude that the impact of the host regulation on the curriculum adopted by the TNHEIs is not very strong.

The impact of L (ext) through the N (h) and C (h) is stronger than that through the R (h). However, these impacts are not very considerable either: The curriculum is highly standardised with a low degree of localisation of the content to address the cultural peculiarities (more evidence on this issue will be supplied in the next section).

The L (ext) influences the staffing policies also through the N (h) and C (h). There was no sign of sanctioning a degree of localisation or standardisation of staff recruitments. However, the managers mentioned having some difficulties with the local staff due to the normative and cultural differences. Lack of a research culture

and the conservative attitudes of local academics toward knowledge sharing are some signs, which show a negative impact of L (ext) on research activities. However, it is important to note that the main strategies of these institutions have not included promoting research activities in their branch campuses yet. Therefore, it is difficult to investigate and explain the impact of L (ext) on research at this point of the time.

5.3. The internal legitimacy force (L (int))

In this section, we focus on the parent-subsidiary relationship, which includes the subsidiary controlling mechanisms. According to the model, parental control may take place in the formats of coercive (e.g. sanctioning), normative and mimetic. Any diffused practice from the headquarters may fall into either one of these categories or a combination of them. In theory, the diffused practices through either of these forms can apply to curriculum, staffing and research (dependent variables). Therefore, not only we highlight the related issues in the data set and group them, but also we consider the extent to which each of these channels has been used to cast practices through the three dimensions of standardisation-adaptation. Since the concept of P-S relationship is an intra-organisational issue, our main source of data in this section is the conducted interviews. The below quotations reflect the key themes of the concept of P-S relationship in the context of TNHEIs.

One of the most important elements that helps understanding the P-S relationship is the organisational structure in relation to the centralisation-decentralisation configuration. A number of interviewees addressed this issue in the context of their institution and explained the advantages and the disadvantages. For example Interviewee 2 (CS1) described their organisational structure as a fully centralised model:

Even the courses, which are designed to be delivered in Singapore, are programmed in Australia. It is fully centralised. [...]. We are audited by the headquarters.

Interviewee1 (CS2) from the same institution, also asserted this point, but explained it in greater details. Moreover, he pointed at some advantages of their adopted model. He said:

Our business model is a highly centralised model. We don't have a faculty in Singapore. The faculty is in Australia. The decentralised model is more entangled with a large scale of operations. If you think of (...) in Malaysia for example, it has established a mini university with a branch faculty set up. It is a very very expensive model, unless your investors are going to provide millions of dollars. That kind of model is very rare. The more common model is the model we have here. This model makes it easier for the foreign institution to get in and out; you don't have a massive capital investment. For instance, (...) [name of university] in (...) [name of country] proportionally has lost 69 million dollars. And they are so embarrassed about it, but they are not willing to close it yet. That may the politics made this upon them in that special case. So, there is less risk in this kind of model than in the big investment campus model, which doesn't get the revenue going though, it's financially disastrous in most cases.

For us, if we pull out from Singapore it causes some reputational damage, but if we take the students out and do it properly, which we have to, I mean in another life I was director of international for regional Australian university and had a disastrous project and I had to fix up what I had inherited in (...) [name of country]. I managed to fly students to Australia and finished them off in Australia. If you do the right thing, they are OK with you.

Interviewee 3 (AM3) explained the P-S relationship in relation to curriculum design, setting exams and marking papers by comparing their system with their competitor's system. The competing institution he mentioned is also included in our case studies. Therefore, this information helps supplementing the data, which is collected directly from the corporate informants in that institution.

The best way to explain it is to look at the similarities and differences with our competitor (...) [name of university]. We have our own teaching materials and

they pay a fee to Australia, which is much lower than the fee we pay to the UK. They import teaching materials from Australia and they have identical accounts. The time difference between (...) [name of a city] and here is not much, so they can do identical exams. For us, the time difference is, now in the winter, (...) hrs and in the summer it would be (...) hrs. So, it is virtually impossible to have identical exams. So, we have our own exams. The defining document for each module is about one page, so we set our own textbooks and our own teaching materials. There is nothing wrong with having the same book as in the UK and you can put your own emphasis and the exams can be very different. But, they are checked for level both by the (...) school, in my case, and the external examiners. So, all the exam papers here are written up here, same as (...). Then we send them to UK. The person in UK checks that it is not harder or easier and the formal format is the same. For example, if they do 3hrs, 6 questions, we do 3hrs 6 questions. But, the emphasis can be very different. Then they go to the external examiner in the UK, who checks whether it is not harder or easier.

For marking, we send samples to the UK and samples to external examiners. However, in (...) [the competitor institution], some of the subjects are governed from here. So they are identical with (...) [main campus], but they are designed here. In our case, we design but people in UK, because of quality requirements, check on ours. We don't check on theirs. So, on one hand you could say there is more symmetry in principle, possible in (...), because some people here have delegated authority to also set the exam for Australia. We don't have delegated authority to set exams for UK. But, in practical terms, what is much more important than the exams are teaching materials and we select our own teaching materials, because we know more about the region and more about intercultural things and more about the corporate social responsibility, which is fleshed out in a very different way here. So I think, in that sense, at (...), most of it is dictated from Australia. So, in practice, we have a better system here because at universities, people don't like to use other people's exams and teaching materials.

This interviewee continued explaining the P-S relationship at their institution by pointing at the staff ethnicity and how it is related to the parental control mechanisms

over the branch campus:

While here, we rely much more on the citizens- more Singaporeans rather than Malays- than the other schools. So, in the other schools [of this institution], you have the dean and then a layer of British people from the UK. Those who come down from UK, a few of them, have colonial attitude; so, they don't care about citizens. Some of them just come for tourism and having a good time, so they don't care too much. For them, UK is much more important, because they are going to go back. In my case, I am from (...), so it has nothing to do with the university's homeland. I rely much more on local citizens than the other schools. So, in practice you pick up a lot from people you trust.

He also highlighted the disadvantage of a centralised model in regard to academic freedom (professional autonomy):

I remember I was teaching a module about exchange rate at...[another institution] I have written in top US journals about exchange rates. There was a junior lecturer in Australia and she had assigned a book written by her PhD supervisor, to please him, that was a book largely about Australia and New Zealand, and not a good book. Because I was the head of the school and I could make a lot of noise, I decided to use my own book. But, they dictated down [that I had to use that book]. Sometimes, people here have more experience than those in Australia, and this is what is most hated.

AM3, concluded that:

We are more than franchised because we have more autonomy over our teaching material; they [name of a competitor university] are more than franchised because of having stronger research culture.

Interviewee 4 (AM2)'s comments on the P-S relationship in the area of quality control were consistent with what we heard from AM3. However, he gave us more

information about the staff mentoring system. He also explained the financial aspect of the P-S relationship:

On this campus I think the quality issues are very stringent. At (...) [the main campus] the quality issues are very transparent. For marking, we send a sample of our papers to the main campus in the UK to be second marked. And they sometimes come down here for moderation.

Under the PGCHE programme, we get every new lecturer a mentor. Some of the mentors are based here and some others are in the UK. I'm not able to say if this has been successful or not, because it is relatively new

[in terms of] financial independence from the main campus, yes and no. The university has a local business partner, who has invested a lot of money into the project. They have worked out a kind of financial agreement that so much of the money remains here and some of it goes back to the UK. We have now moved into the profit margin and covered the break-even.

The business partner has nothing to do with the academic dimensions of the activities. There is an agreement that we cannot lower our entry requirements to increase the revenue.

Malaysian campus has a budget of its own. For research there are allocations from Malaysia as well as from the UK. The UK resource allocations are mostly for inter campus collaborations and inter university collaboration with some local and regional universities.

Another key issue related to P-S relationship is recruitment of academic staff. The following quotations illuminate this concept.

Interviewee 5- BM1

The branch campus has the right to recruit staff, but for the academic staff, the CVs must be sent to the headquarters in Australia for assessment.

In all the important decision making situations, the top person who has the final word must be Australian. [This is this interviewee's feeling, and it is not an official rule]

Interviewee 8- DS1

All the academic staff in Singapore have to be approved by the home campus. So, even if we want to employ them without their approval, we can't. The association between the campus here in Singapore and the main campus, at times can be rocky, but nine times out of ten they are going to be happy with the quality of the staff we are having here. We don't have faculties in Singapore. We have pro vice chancellor who manages the activities.

Interviewee 6- ES1

For recruitment, we should get approval from the head of school or head of department in Australia.

Interviewee 7- DM1

For recruiting we have autonomy. A lot of branch campuses have different arrangements, but here it is a more common arrangement that our branch campus has a joint venture with the mother campus in Australia, which is %92 [...] government, %8 private sector. And there is a company called [...], which is a Malaysian company, which employs people. So, we recruit directly but we should get the mother campus' approval. At the initial stages, we recruited here – I wasn't here at that time- based on the mother campus' suggestions, but in more recent years we've gone on our own way and recruited who we thought was appropriate.

Interviewee 3- AM3

We ask advice and full professors would be appointed by a committee, which is dominated by UK, so we have a video conference. Recruitment of Associate professors and assistant professors that will be senior lecturers and readers

and lecturers is down here. But, I send the CV to the person in the UK who is responsible. They look at it and if they recommend strongly against, that would be relevant. So, we take advice, but we decide, except for full professors.

Recruiting locally, regionally or internationally is another important issue. One of the reasons for this importance is the cultural difference:

Interviewee 4- AM2

The cultural differences are things like expectations and norms. For example, understandings of the basic philosophy of education are different. In the Malaysian context, education means earning a degree, whereas in the UK it means something else: getting experience, getting background, the exposure, etc.

Interviewee 8- DS1

There are cultural differences. Also in terms of productivity, I'd rather have international staff.

However, the ultimate balance between the number of academics from the home country of the institution and the host country is also affected by some other factors. The following three quotations address these factors.

Interviewee 9- BM2

We try to recruit locally for different reasons. Firstly, it shows that we are engaging the local academics and therefore we look less alien to the local authorities. Secondly, we learn a lot from them about the local culture. Thirdly, it is much cheaper than the fly-in, fly-out model. Having said that, we have some difficulties to find local lecturers who meet our standards. In the meantime, we are an international institution, not a Malaysian institution.

Students come to this university expecting us to be different from the locals. Therefore, we need Australians on board as well. [...] It is not cost-effective for us either to bring staff from Australia on a short-term contract. Therefore, we also recruit internationally (%20-%25). We advertise for job positions in the international media: places like the Financial Times. The Malaysian government is aware of the shortage of staff supply in this country, so they do not restrict us on staff recruitment.

Interviewee 1- CS2

I think it is important that we do have Australian lecturers. However, the happiness or unhappiness of the students depends on the ability of the lecturers who teach them. For example, all of our accounting lecturers have been local and that programme has been much more popular than fly-in fly-out programmes. That's because they are less interested in staying in and helping students, so those who are more engaged by the Singaporean operations are seen by students better.

Interviewee 3- AM3

Some of them [fly-in staff] just come for tourism and having a good time, so they don't care too much. For them, UK is much more important, because they are going to go back.

The P-S relationship in the area of staffing is not confined to staff recruitment. What seems to be a crucial issue is establishing a link between the academics at the branch campus and those at the home campus. Since the academics are from different cultural and educational backgrounds, their attitudes toward education vary. It is important for the institution to achieve a certain level of integrity between the home and the host unites. The following quotations highlight this importance.

Interviewee 1- CS2

Among our academic staff we have a bit of cultural differences. Better to say, work difference; I mean normative rather than cultural.

Interviewee 9- BM2

We have staff training plans to keep them integrated, in relation to the organisation's culture and routines. It is important that the academic staff have similar attitudes toward education and learning process. For example, we try to emphasise on critical thinking and critical analysis, whereas some lecturers from different educational backgrounds expect students to memorise and repeat. That's in contrast with our attitude. So, we train them.

The following set of quotations indicates how TNHEIs try to reach a level of integration between the home and the host campuses. They further clarify how those institutions control the quality of the service, which is being delivered by the academics at the branch campus.

Interviewee 8- DS1

We encourage the staff to communicate with their colleagues in Australia. One of the things that the staff are required to do, I mean academic staff, when they are hired they take a unit to firstly communicate with the unit controller in [the main campus] and often what happens is that the unit controller comes up and visits, goes to a lecture and go through what is required, usually sit in the first lecture to make sure that they are OK. All the academic staff in Singapore have to be approved by the home campus. So, even if we want to employ them without their approval, we can't. The association between the campus here in Singapore and the main campus, at times can be rocky, but 9 times out of ten they are going to be happy with the quality of the staff we are having here.

We are being audited by the main campus. This year the audited a number of

things. They audited both the students coming into the programmes and what's being delivered and on top of that we have to write reports on outcomes (on the number of students pass and the number of students moving on, the pass rate, student's satisfaction).

Interviewee 7 – DM1

All of the academics, the subjects that they are in charge of are coordinated by a unit of subject control back in the mother campus that gives the exams, marks the exams, determines the syllabus, sets the textbooks, whatever; except in those areas that we are having our own autonomous programmes. The lecturers can contextualise their subjects and so on, but somebody doing Mechanical engineering for example, the syllabus and the text book is set by the unit coordinator in Australia. As this university has operations in different countries, a strong central coordination and moderation is needed. Assessments can be marked by branch campuses. Then papers are sent to Australia, occasionally moderators would turn up, but some of the exam papers, which are marked offshore, are moderated by the unit controller. They may call for %10 of the papers.

Interviewee 6- ES1

We have a coordination model. We promote and encourage our lecturers to correspond with Australia. The coordinators check on exam and markings as well.

Interviewee 9- BM2

For every subject, there is a chief examiner. He or she can be located at any of our campuses. For example, we have 17 chief examiners here in Malaysia. The chief examiner coordinates all different aspects of delivering that subject, from curriculum design to assessment. A %10 sample of exam papers and assignments go back to the chief examiner to check the quality standards are met and students doing the same course on different campuses are assessed

equally.

If we design a new course, it must be approved by the headquarters. It is the same for recruiting PhD students.

Interviewee 10- AM1

We are moderated by UK. We send samples of our exam papers for double marking to the UK.

The curriculum must be approved by the UK.

Despite being checked and controlled by the home campus, academics at the branch campus have a certain degree of autonomy in contextualising their taught subjects and writing exam papers (as AM3 mentioned). The following quotations further explore this concept as well as depicting a set of elements, which have impacts on localisation or standardisation of teaching activities.

Interviewee 1- CS2

For some of courses like Law or Social sciences we contextualise. But, for things like Mechanical engineering, there is not much difference. We offer a bachelor in environmental health and safety, which has been largely contextualised.

Interviewee 3- AM3

For subjects like corporate social responsibility and corporate law, we use a lot of local materials and cases. When I came here, for foundation students, there was a course called UK economy and society. I removed that immediately. I said why should we bore the Malaysian students with UK's economy? We replaced it with world's economic history. But, parents complained that why are you teaching history to our children. So, we changed it to world economy.

Interviewee 2- CS1

Lecturers have autonomy to make some changes in their course materials such as case studies. Most of case studies are selected from the south East Asia, with which most of students are familiar.

Interviewee 9- BM2

We give autonomy to staff to make some changes in their curriculum, mainly the tutorials and case studies. If they want to change it more for any reason, they must liaise with the chief examiner of that subject.

Some of the respondents discussed their hesitations about moving far away from the standard curriculum:

Interviewee 7- DM1

We are not changing our curriculum a lot. There was another MQA report on each of the universities and the foreign branch campuses were all exhorted to gain more autonomy from the mother country's syllabus. So, I think we've all done a little bit.

Interviewee 3- AM3

In teaching, we try to maintain the UK identity.

Interviewee 2- CS1

The students are interested in Australian degree and that's why I assume they appreciate a more standardised curriculum.

Interviewee 7- DM1

There is always a bit of tension between autonomy and replicating what's being offered on the main campus. And, one of the advantages of doing latter is we have advertised, and I think all branch campuses do this, if you do it at

[...] university in Australia or in Malaysia, you will be doing the same degree, sitting the same exams and having the same quality and so on as if you were to take that degree down at [...], which is in Australia.

Of course, the more we divert from that [standards of the main campus], if we do, then the more people may question that the quality of the degree being offered here is not as good as that one in Australia. So, of course, all branch campuses are, I think, the same around the world want to maintain a fairly strong quality control and similarity, equivalence, whatever you want to call them, to the mother campus. But, then again we get pressure, particularly in Malaysia to exhort our autonomy and offer courses and majors that are geared to local environment. It is not required by Malaysian authorities that we contextualise, it is just a recommendation. However, we have realised that students are more interested in localised cases. Look, to tell you the truth we have not explicitly asked them but an informal feedback tells us that they are more interested in the generic stuff, like the Australian stuff but they are more inclined to work on, for instance, tax reforms in Malaysia than the Tax reforms in Australia.

However, the need for localisation has also been addressed:

Interviewee 4- AM2

Most of our students are regional. Therefore, they basically look for learning how to apply their learning to certain contexts. And we encourage them to do it so it becomes more meaningful and more relevant to them.

It is important to note that the P-S relationship in relation to teaching activities is very different to that in relation to research. To date, conducting research at the branch campuses has been noticeably neglected. Most TNHEIs have merely focused on teaching. However, some of them have shown interest in paying more attention to research in the near future. For example, interviewee 4 (AM2) says:

This is a relatively new campus. For the first five-six years, we basically focused on teaching. We have started our research work now. We are going to

get PhD students to do some fundamental research work. There is also a lot of efforts from the home school (parent campus) to establish collaborative research between the campuses (staff research) and also between the campuses and institutions outside.

Lack of proper positioning in the early stages of operations in the host markets seems to be an important reason for the TNHEIs' higher preference for focusing of teaching. The following quotation from AM1 shows this point.

So far, we have been focusing on teaching. After a number of years, we have now positioned ourselves in Malaysia and it's time we thought about expanding our activities. In particular, we are planning to pay more attention to research activities.

The parent units have mostly tried to influence the research activities at the branch campus by encouraging staff to use the research grants available both at the institution and nationwide. There was no sign of compulsion on selection of the theme and the title of the research projects:

Interviewee 1- CS2

For all of our lecturers employed here, it is a part of their contract that they do research. So we encourage them and they are given university grants to research and they bid for research projects. We have it as a part of our objectives to better engage with the university in terms of being able to look for research funds in Singapore. Because our university is very strong in engineering and medicine, so it should be more attentive to the billions of dollars, worth of research, which goes through the Singapore operations.

Interviewee 9- BM2

We encourage our staff to do research. We don't force them to pick any specific topic. That's up to them. But, if they go for some local themes, they have better access to data.

However, it must be noted that accessing the national research grants is very competitive and automatically requires the researchers select a locally related topic:

Interviewee 7- DM1

We are trying to focus as much as possible and we are trying to combine both the local needs plus the research focal points that our university has invested its time, resources and energy like ICT and Health. Same thing has happened in Australia, the research findings are given on priorities set by the governments. We are trying to align the local needs with the funds that this university gives to its areas of priority.

Interviewee 9- BM2

We have no access to public funds. However, there are funds provided by the government for research. It is competitive and our staff can apply for them.

5.3.1. Discussion and analysis on L (int)

We start off by summarising the strategies of these institutions in relation to standardisation-localisation of teaching activities, research activities and staffing at their branch campuses. It must be noted that we take the teaching-related activities as one dimension of TNHEIs' strategies; however, to provide a better picture of this set of activities, we pay attentions to the separate accounts of curriculum design and assessment methods.

5.3.1.1. Teaching

In five cases, the curriculum was pre-bundled at the home campus. Institution A was an exception. According to AM3, the lecturers at the branch campus were allowed to select their own teaching materials. However, that was subject to the approval of the main campus. Therefore, it can be concluded that institution A has given a greater degree of autonomy to the branch campus in the area of curriculum design. The

curriculum is one of the most important assets, which is known as a part of the TNHEIs' ownership advantages. By default, when the curriculum comes down to the branch campus, it has already been audited and accredited by the home country's quality assurance bodies; hence, carries along a high level of trust. Even in the case of institution A, the main campus is responsible for overseeing the curriculum design.

The assessment models are more diverse. Some institutions like B are able to run some exams at the same time for the home and the host countries are in the same time zone, whereas it is impossible for some other institutions with considerable time differences. In all of the cases, the parent unit moderates examinations. Often, a percentage of sample exam papers are sent to the main campus to be second marked (AM1, BM2, and DM1). There are also either periodical (ES1) or intermittent (AM3) audits for which, a number of faculty members from the main campus travel to the branch campus and check on resources, as well as teaching and marking. In some cases (see for example the quotation from BM 2), for each subject a chief examiner or unit controller (DS1) is assigned at the main campus to control the entire process from curriculum design to final assessments.

The level of autonomy of academics at the branch campuses for tailoring their teaching materials to fit the local context varies. In some courses like Engineering the curriculum at the branch campus mirrors the curriculum at the parent campus. However, for some other subjects such as Humanities and Social Sciences, higher levels of contextualisation were observed (e.g. interview with CS2).

The adjustments are mostly made in the case studies and a regional contextualisation has been considered rather than country contextualisation (e.g. interview with CS1 and BM2). What has been stressed by practitioners is that although they allow a degree of localisation of teaching materials, they are cautious about not deviating from the original curriculum too much (e.g. interviews with DM1 and AM3).

This is related to their selling point, which revolves around addressing the market preference (e.g. interviews with CS1 and DM1). However, the need for localisation has also been addressed by some interviewees such as AM2.

It is obvious that the decisions regarding global integration-local adaptation of curriculum are affected by both internal and external institutional profiles as well as

the market initiatives. The statement from AM3, which described the reasons of changing the course entitled UK economy and society and the parents' reactions, clarifies this point.

It is paramount to re-stress that the given autonomy to the offshore academics has been mainly at the level of making minor changes such as choosing different case studies. In other words, the data shows that in almost all cases, the core of the curriculum is designed at the parent campus and the delivery and the assessments are tightly controlled by the headquarters. A recent study on an offshore campus of an Australian university in Malaysia reveals some issues, consistent with our findings. Dobos (2011) interviewed academic staff at the offshore campus and found out that the assessment criteria and, in some cases, teaching materials (e.g. slides) are given to the offshore staff by the home campus (Dobos, 2011, p 25). This study also revealed that the home campus controls marking by setting up scales or even order changing of marks (P26). All the staff interviewed by Dobos (2011) had said that they had very limited power of making major changes in the curriculum.

5.3.1.2. Staffing

None of the studied branch campuses had the autonomy of recruiting academic staff without the headquarters' approval (see comments from CS1, CS2, AM3, AM2, BM1, ES1, DM1 and DS1). Therefore, all staff recruitments are strictly controlled by the parent units. The main campus also keeps controlling the quality of staff (e.g. interview with DS1). Institution A is a bit of an exception and seems to have more autonomy in recruiting assistant and associate professors (interview with AM3).

In order to reach a level of integration and consistency on the onshore and offshore campuses, all of the institutions run staff training programmes. Some of them assign a mentor for each new staff (e.g. interview with AM2). In most cases, the mentor is at the main campus. Some other institutions (e.g. D) do not have a compulsory mentoring system, but they encourage their staff to communicate with their colleagues at the main campus. Evidently, the number of academic staff who have been seconded from the main campus to the offshore campuses is considerably limited. This has a number of reasons. The most important reason is the high cost of the fly-in, fly-out

model. However, some other reasons for having higher preference for recruiting locals have been explained by some of the interviewees (e.g. BM2 and CS2), such as increasing the ability of better communicating and integrating with the local community (decreasing the liability of foreignness), learning about the local culture and values, showing a higher commitment to the local community and that the local lecturers engage with students more than those coming from the home campus (interview with AM3 and CS2).

Nevertheless, some of the respondents stressed the advantages of having non-local academics on board. They specified that some cultural differences with the local academics, which would lead them to prefer recruiting internationals than locals (interview with DS1). Some others (e.g. BM2) stressed the students' preference for a more international atmosphere at a foreign branch campus.

The three institutional channels, according to the aggregated LIL, are mimetic, normative and coercive. None of the interviewees mentioned any kind of imposition of practices; however, assigning unit controllers and regular auditions bring along a range of restrictions. Codes of practice are not black and white by default as they guide but do not impose. Therefore, we can conclude that, except for recruitment, the coercive channel is not a conventional means of parental control; whereas, there are several examples of using the normative and the mimetic institutional channels. Seconding some staff - although limited - from the main campus, in-house staff training, linking the academics at the branch campus to their colleagues at the main campus and assigning unit controllers and chief examiners who are located at the main campus are all mimetic and normative institutional instruments for enforcing a degree of homogeneity between the onshore and offshore campuses. Maintaining a certain degree of integration is a necessity as the academic staff are from different cultural backgrounds and thus have different cognitions. This may lead to some challenges (interviews with CS2 and BM2). Depending on their educational backgrounds, staff are used to different educational systems, which is closely related to their perception of educational philosophy (interviews with DS1 and AM2).

Overall, the data shows that staff recruitment is highly centralised and the coercive institutional channel has been utilised for employing academics at the offshore sites. However, the TNHEIs have intended to use some mimetic and normative techniques

to integrate staff across borders. They have faced some challenges for implementing these policies. For instance, sending more academics from the home campus to the branch campus in order to normatively transfer the institutional culture has not been successful to date. A comparative case study of staffing policies of 7 universities with offshore branch campuses by UK Higher Education International and Europe Unit, which is published in 2011 revealed a number of findings, which are consistent with our findings in this research. The report indicates that all of the recruitments at branch campuses must be approved by the home campuses (Fielden and Gillard, 2011, p 13).. It also reveals that the percentage of home staff to the total number of staff, in the seven case studies, is 7% (Fielden and Gillard, 2011, p 14) This figure denotes that the number of seconded staff from the home campuses is very small. This has been highlighted by the authors of the report as the biggest challenge in terms of offshore staffing.

5.3.1.3. Research

In almost all cases, the emphasis on research activities has been much weaker than on teaching. Despite some of them being known as research-oriented universities, their main focus at their branch campuses has been teaching. There is a possibility that the small proportions of research activities at those institutions is caused by the lack of long trajectory of operations abroad. However, there are some strong signs of moving toward the research dimension at some of those institutions, which seem to be embedded in the host country as AM2 elaborated on their institution's ambition of paying more attention to research activities. He mentioned that they are, after a six years period of focusing on teaching, trying to establish links with external institutions in the host country with the purpose of energising research activities (interview with AM2). AM1 approved this point and added that they have managed to position themselves in the Malaysian HE market through teaching activities and thus, it was safe for them to pay more attention to research (interview with AM1).

No force has been exerted on the researchers to choose a specific theme of area of research. They have been generally encouraged by the institutions to carry out research. However, the physical proximity to some local sources of data and

availability of national funds provide opportunities, of which the researches can take advantage (interviews with CS2 and BM2).

Trying to access the local research grants automatically drives the researchers to give priorities to local themes (interviews with DM1). However, each institution may have strengths in particular disciplines and therefore wants to brand itself in the same way in the host market. Therefore, they may softly direct the research themes toward their priorities by making some research funds available for some particular projects. We did not find any evidence for the latter type of incentives. It seems that TNHEIs are not imposing any restriction on the research activities. The internal research grants of the institutions are available to the researchers regardless of the theme of their research (interviews with BM2 and AM3). Therefore, the only driver of localisation on the research dimension is the external incentives.

5.3.2. The impacts of L (int) on curriculum, staffing and research

The L (int) is associated with the concept of parent-subsidiary relationship, which is closely relevant to the institutional controlling mechanisms. From the above analysis it transpired that among the three institutional channels, the coercive channel is mostly being used for staff recruitment. It is also used –to some extent- to integrate the teaching activities, especially assessments. However, in most cases, a low degree of autonomy has been given to the local academics to change parts of the curriculum, but not the core parts.

Usage of mimetic and normative channels is more visible for diffusing practices to the branch campus and keeping a certain level of consistency. However, due to a number of operational difficulties, developing these channels seems to have been undermined. For example, one of the most effective ways of cross-border integration through the normative and mimetic channels is to exchange staff. The high costs of travelling and the lack of interest shown by the staff at the main campus to go and stay in the branch campus is the biggest impediment. The TNHEIs are trying to encourage academics to communicate with their counterparts at the main campus from distance. However, that solution has not been free of problems. Dobos (2011) found that the majority of

academics at the branch campus felt dejected for the way they were being treated by their colleagues at the main campus. The following comment from an academic at the branch campus clarifies this meaning. “[We] do not feel professional equals, as we are not treated as equals. We have a master-slave relationship, which is not good” (Dobos, 2011, p 27).

In relation to research activities, most of cases are either not involved or conducting limited research activities, which are not controlled or directed by the parent campus. However, there are some signs that the external incentives (e.g. national research grants) are capable of directing the research activities to focus more on the local themes.

5.3.2.1. Other findings

Putting all the findings from section 2 together, we identified that there are two dominant models employed by the existing TNHEIs. The first model includes two different archetypes. As illustrated in the following figures, the type of interactions between the parent and the branch campus distinguishes the two conventional models and the two different archetypes of the first model. In the two archetypes of the first model there is for each department at the branch campus a parent department at the main campus, with which the offshore department liaises. In the second model, which we call outlet, there is no department at the branch campus. Instead, there is a campus dean (or equivalent i.e. head of campus) who acts as the central coordinator for all the departments. The two archetypes of the first model, which we have labelled as unicore and multicore, are distinguished by the location of the parent department. In the unicore structure, all of the parent departments are located at the main campus. However, in the multicore structure, the headquarters of some of departments may be located at one of the branch campuses. In that case, the parent unit for that specific department would be the one at the branch campus and the counter department at the main campus would turn into a branch unit. These different structures have different implications regarding parent-subsidiary relationships and controlling mechanisms. In the following figures, the arrows demonstrate the chains of commands, which

represent the lines of authority. Except for the second model, in all the models the arrows are unidirectional toward the branch campus.

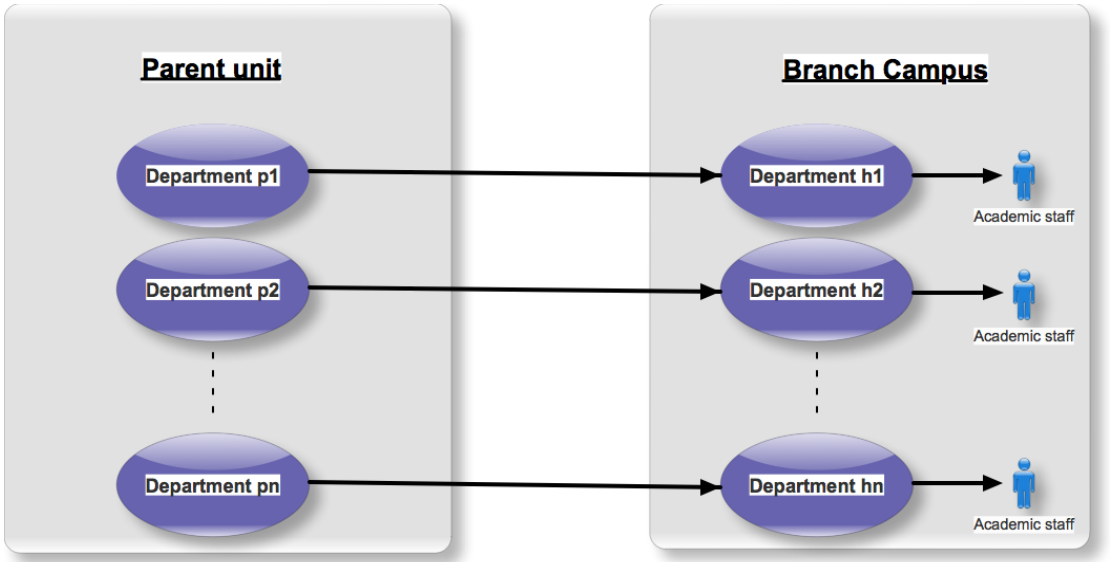


Figure 5-2- Model 1- Archetype 1- Unicore structure

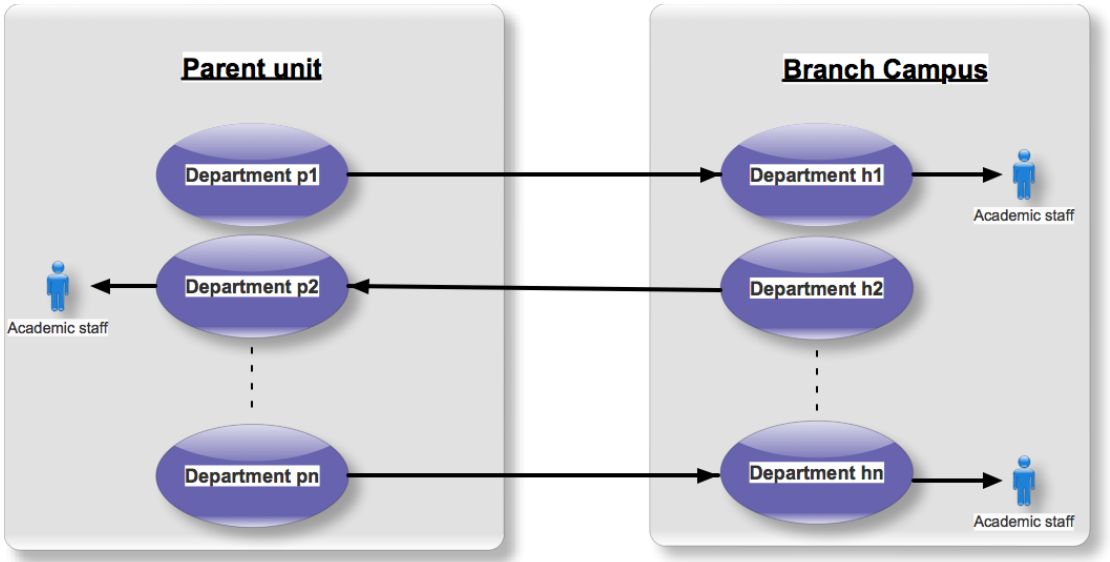


Figure 5-3- Model 1- Archetype 2- Multicore structure

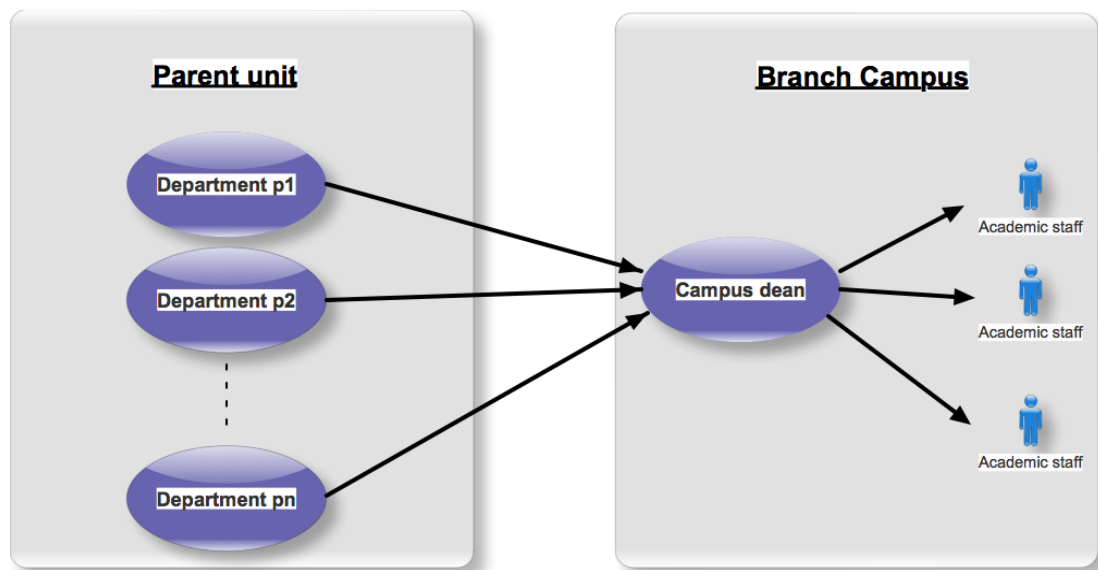


Figure 5-4- Model 2- Outlet structure

Model 2 is the most popular model of TNHEIs. In this study, four of the cases have followed the outlet structure. The other two cases have put in place the model 1. One of them demonstrates the uncore structure, while the other subscribes to the multicore structure.

5.4. Market Initiatives (I)

In this section, we address the three different types of market initiatives (global, local and internal). We also disclose findings on market segments, market preferences and market rivalry in Malaysia and Singapore, which will help us to understand the role of market initiatives in shaping TNHEIs' strategies.

5.4.1. Overview of the market competition

Singapore and Malaysia are both major educational hubs in South East Asia (Mok, 2011). The higher education markets in these countries are highly competitive. Not only the HEIs serve the domestic market, but they also attract a large number of students from abroad. According to the i-graduate report (2007), Malaysia's HE

international market comprises of students from the Middle East, South Asia and China. In 2004, 50% of international students in Malaysia was from China, 25% from Indonesia and the rest from other countries, mainly from the Middle East. Since then, the number of Chinese students has considerably decreased due to the increase of domestic supply in China (i-graduate report, 2007). The competition in the Malaysian HE market is becoming substantially intense. The following statement supports this argument.

“The UK position in the market is under threat from the growing strength of Malaysian Institutions who are moving toward multiple partnerships with institutions from a variety of countries. This presents challenges as well as the parallel issue of the changing composition of international student demand affecting the growth trajectory of student recruitment into Malaysia” (i-graduate report, 2007, p 6).

Similar to Malaysia, the competition in the Singaporean HE market is very intense. The government’s ambition to increase the number of foreign students from 97,000 in 2011 to 150,000 by 2015 shows an attempt for a significant market growth. The British Council reports on an aggressive push by the Singaporean government to encourage brand name foreign universities to open branch campuses (The British Council Website, 2011f).

The following quotations demonstrate the intensity and the patterns of market competition for TNHEIs in the host markets.

Interviewee 1- CS2

We are not marketed well. They [the commercial partner] have a very self-interested market approach with their market. They attract students and there are different options that students can choose [the commercial partner has partnerships with several institutions]. That doesn’t really help us, so we need to invest in our own marketing and push them to do some marketing. But, basically, we feel that our brand is much more attractive to international students, while ... [the commercial partner] is one that, frankly, nobody has heard of.

Interviewee 7- DM1

We have to make lots of efforts to attract students. So, we really need to advertise and look after our agencies. [...] more than the half of the people coming to [...] are enrolled through the agents rather than directly. But advertising, yes, particularly given the geographical disadvantage of being in [...]. For international students, we are advertising in Indonesia, China, Middle East, and South Asia. We send people overseas and that's quite crucial unfortunately for spending all this money on marketing.

Interviewee 8- DS1

The competition is very intense. Many Australian universities are running a programme here in Singapore, many UK and US universities are running programmes in Singapore. It is very competitive. Ultimately, what you sell is your name and reputation. We've been in Singapore now for 26 years, the campus is not very old by the way. Based on the name we've built up here, we used to only offer business and nursing programmes. So, we are relatively new in campus, but we have been here for longer.

We benchmark ourselves against private education providers. And there are some Australian universities, which we compete against. But one of our advantages is that we [...] have a full campus here in Singapore. So, It's not done through an external provider, we have our own libraries, canteen, basketball court all that sort of things. That's one of the main reasons that we are being successful we believe.

Marketing is not easy, but once you pass a certain number, we are looking around 1800, you get return automatically.

Interviewee 10- AM1

The Malaysian student market is different from the UK. Reputation is not enough for student recruitment; we should do lots of marketing in this competitive market.

5.4.2. Market segments

The market segments for TNHEIs in Singapore and Malaysia are not similar. In Singapore, students compete to get into the top Singaporean universities and those who fail would be targeted by the private sector including foreign universities. However, in Malaysia no such preference for the local universities over the private universities has been observed (see the British Council report, 2006c). Moreover, the Malaysian HE market is segmented by ethnic quotas. Those who are barred from entering the public universities are mainly targeted by the private providers; even a portion of those who can go to public universities show interest to go to internationally reputable foreign branch campuses if they can afford it. The following statements and quotations further explore the differences in the market segmentations of the two host countries: “Polytechnic students seeking to upgrade from diploma to degree level have traditionally formed a substantial part of the Singapore market for transnational and in-shore education providers and the greater provision of subsidised undergraduate education could have a major impact” (Course, 2009, p 12).

Interviewee 3- AM3

We get students from Islamic countries like Pakistan, who don't feel comfortable to go to [...]. Specially, parents are not comfortable with sending their daughters to non-Muslim states.

Interviewee 1- CS2

It is very hard to get into a Singaporean university and they take a limited number of international students. So, the Singaporean institutions are worth being accredited at the top of the market for the cream of the students. It's not really our main market. We are competing with institutions who target those who can't get into Singaporean Universities and international students who can't get into NUS or NTU. There are some foreign universities who are serious competitors to us. However, we are highly rated on different ranking

indexes and within Australia we are ranked number 10 for engineering; so, people who tend to research on that, we are doing quite well in that area.

Interviewee 4- AM2

We are targeting a combination of both local and international students. One of the issues is the cost. You know that ... [name of the university]'s cost is higher than other private education institutions. So, only those who can afford will come to ... [this university]. So we have about 30%-40 Malaysian students and the rest come from internationals. Although we have good reputation, we are still at the marketing phase and need to do a lot of Marketing to get students.

Interviewee 5- BM1

The student market segmentation in Malaysia is noticeable. The Chinese and the Indian races, despite being officially Malaysian, are not allowed to enter the public universities. Therefore, they have no choice but selecting a private HEI.

Interviewee 6- ES1

Our target markets are diverse. It depends on the programme. For instance, for Psychology programmes the students are more local, but for Business and IT programmes, there are more international students.

Interviewee 10- AM1

Our main target market is those students who cannot afford going to UK. Sometimes, there is a feeling from the home campus that we are stealing the students who could go to the UK.

5.4.3. Regional market initiatives

All TNHEIs operating in Singapore and Malaysia, target the regional markets as well as cater for the local markets. The geographical proximity of countries like China and Indonesia with large HE markets has provided good opportunities for the HE hubs to entice considerable numbers of students. “Interviews with UK providers also showed that institutions and their course provision were taking on board the needs of the region’s students, some of whom are switching into creative areas after taking a more traditional first degree. While Singaporean student numbers were often seen as low compared with other locations in Asia, expanded potential for the postgraduate market was also noted” (Course, 2009, p 19). And Sidhu et al. (2011, p 30) argue: “The programme’s recruitment efforts have largely been directed at students from Asia although statistics of students’ countries of origin are deemed too sensitive to be publicized”. This was confirmed in the interviews.

Interviewee 1- CS2

Singapore is very close to many population centres. So, our main markets are Indonesia (number one), China (number two), Myanmar (number 3) and Vietnam and other South East Asian countries are the market.

5.4.4. Local market initiatives

As mentioned earlier, local provisions of HE in both countries are not sufficient to respond to the local market demands, let alone attracting foreign students. In the first place, the foreign providers have been invited to cater for local students. Therefore, the local market demand exists anyway. However, the differences in market segmentations in the two countries are important elements.

The global competitive report 2010-2011 has dedicated a section to higher education and training within which the tertiary education enrolment rates are calculated as 60% for Singapore and 32.1% for Malaysia (The global competitiveness report, 2010-2011, p 419). It delineates that the size of local market is relatively big in Singapore. In Malaysia, the quota-based system pushes some considerably large segments of the

market toward the private HEIs. Therefore, the local market size for the TNHEIs, which operate in Malaysia, is also large. However, it is important to note that the preference of students in each country for domestic or foreign education is a key element, which impacts the size of market for TNHEIs. The global competitive report 2010-2011 (p, 420) discloses the evaluation of people of different countries of the quality of their national educational systems. The data shows that Singapore's rank is first among 139 countries with the score of 6.1 (scores are on a 1-7 likert scale from 1 for very poor quality to 7 for very high quality); whereas, Malaysia occupies the 23rd rank, scoring 4.9. Despite being noticeably below Singapore, the Malaysian educational system is still evaluated as being above the average (the mean is 3.8). Also in terms of ranking, Malaysia is in the top quarter. However, this considerable discrepancy explains the higher preference of Singaporean students for a local degree and the higher preference of Malaysian students for an international degree. This point will be explored in detail later in this chapter.

5.4.5. Network optimisation

The following quotations from two top managers of the Singaporean and the Malaysian campus of the same institution demonstrate that the network optimisation exists, but it is a very weak initiative compared to the other types of market initiatives.

Interviewee 7- DM1

Compared to [our] Singapore branch, we are quite different from them actually. There is more engagement by the mother campus with the recently opened Singapore branch campus, partly because Singapore is more a regional educational hub than Malaysia is. But, some of the faculties, particularly Humanities and Health are more interested in engaging with Singapore campus and that's mainly due to the higher financial returns in there. It's more to do with what the market can be and what the financial return is in terms of repatriations of funds down in the mother campus so looking at a campus like us, we are getting %12-15 out of it, when you look at Singapore they are making %20-30 return (percentage of growth, tuition fees going back to the mother campus).

What I was trying to do was to bring some help from the mother campus for the humanity programmes into ... [this campus], but at the moment the humanity and health departments are more interested in the Singapore campus. We have not been able to attract any interest from our health faculty in Australia. It has also something to do with the accreditation regulations. Malaysian Nurses board look more tougher in their accreditation and recognition of foreign universities. Extra work needs to be done to be accredited. But as I said earlier, it is partly due to the financial return. The faculties at the mother campus are looking at Singapore as being a better investment.

Interviewee 8- DS1

We talk with our other campuses in other countries to know what's happening over there but they are in a different situation in Malaysia. For example, our campus in Malaysia is fully accredited as a Malaysia university, but we are not. We come under private education act. They do research there, we don't at this stage. They do things like heavy engineering, we don't. But we do things like Nursing and Mass communication. So we deliver different courses, but both of us deliver commerce.

There is no rivalry between our students at the Singapore and the Malaysia campuses. But, for people at my level, we do compare who has got better student surveys, or who had the better pass rates, who has the most international students, and that sorts of things. The main headquarters does compare us against each other.

5.4.6. Market preference

The British council's 2006 reports on Singapore and Malaysia's TNHE markets reveal several details. The major factors, which impact the student's choice of a TNHE programme in Malaysia have been mentioned as the low cost of studies in comparison to studying overseas, shortage of supply at the local HEIs, usage of

English language and the ability of gaining internationally recognisable degrees (British Council report, 2006a). The same factors for the Singaporean market are shortage in supply at local institutions, lower cost of TNHE compared to studying overseas, international recognisability of qualifications, availability of part-time working and enhanced career opportunities (British Council report, 2006b).

It is obvious that unlike Malaysia, in Singapore, the shortage of supply at local institutions was the most important factor, which affected the students' choice of TNE. This is consistent with our primary data (see for example the quotation from CS2 above). The Singaporean domestic universities are offering very high quality programmes and their entry requirements are very high. According to our interviewees, the brightest students go to the local Singaporean universities. Therefore, the TNHEIs do not target that segment of the market. In Malaysia, the students' preferences for local degrees are not higher than for the available TNHE. However, it must be reiterated that the HE market in Malaysia is quota-based. Those students who are allowed to enter the government-subsidised universities have a higher preference for public universities; not necessarily because they believe in their higher quality, but mainly because it is free for them. Those Malaysian students who fall outside that category, have no choice but applying to the private HEIs including TNHEIs.

Comparing the findings from the two British Council reports, it seems that in Malaysia, students have a higher preference for TNHE degrees for they believe that the TNHEIs offer better recognisable degrees and a better teaching style. However, in Singapore, most of participants in the study (students) preferred local qualifications over TNE, although there were some other mixed views as well.

5.4.7. Discussion and analysis on (I)

Based on the aggregated LIL model, the market initiatives are of three types. The first type is the local market initiatives. It was anticipated that we find strong evidence for this type as in both countries the shortage of local supply and the eagerness of the governments to allow a knowledge inflow for the purpose of capacity building were

the main reasons of inviting TNHEIs to establish branch campuses. Apparently, they were expected to serve the local market as well as attracting international students. In addition to finding evidence for this type of market initiatives, we learned that the local markets of Malaysia and Singapore are not symmetrical in several ways. For example, the preferences of Singaporean local students for Singaporean local universities are higher than their preference for TNHEIs in general. However, the Malaysian quota system deprives some segments of the market from entering public universities and pushes them toward the private HEIs. Amongst those who can benefit from the subsidised educational service, there was no strong evidence of preferring local universities over the TNHEIs. Therefore, the marketing strategies of TNHEIs are different in these two countries.

The second type of market initiatives is the global initiatives. We found relatively weak signs of this type of initiatives. There are limited numbers of students in Malaysia and Singapore who have come from other countries (except countries in that region). The farthest place from which these countries had attracted a noticeable percentage of students was the Middle East. However, there are strong evidences of regional initiatives. China and Indonesia are the biggest suppliers of students to these higher education hubs.

The third type of market initiatives are the internal initiatives, which are sparked by market optimisation imperatives. The market optimisation points at the rivalry between the branch campuses of the same university. Among our cases, institution D has a couple of branch campuses, one in Singapore and the other one in Malaysia. The above quotations from the interviewees at these two branch campuses reveal not much competition between the two. Although one of them has mentioned that he felt their campus had been discriminated against the other campus by the parent unit (in terms of supplying resources), but in general, they both agreed that their target markets were different and that would explain the reasons of being treated differently by the home campus. The results of the British Council's surveys confirm this point: "63% Malaysian students were studying Engineering and 8% Business" (British Council report, 2006c, p 10) and "73% Singaporean students were studying Business related courses" (British Council report, 2006d, p 9).

Other interviewees were also asked to comment on this issue. None of them mentioned anything, which would signal a serious competition between the different offshore branch campuses of the same institution. Therefore, according to the aggregated LIL, the creation of firm specific advantage (FSA) has drawn more on the market development initiatives (global/regional and local) than the internal initiatives.

5.4.8. The impacts of market initiatives on the curriculum, staffing and research

In the previous section, we explored the different types of market initiatives and found evidence for each from the studied cases. We also concluded that the TNHIs build their FSA in their host market by relying on market development initiatives, but not network optimisation. In this section, we look at how the created FSAs impact the stance of branch campuses on the I-R paradigm, in particular along the three dimensions of curriculum, staffing and research (the dependent variables).

5.4.8.1. The impacts of (I) on curriculum

The market analysis of the Singaporean and the Malaysian TNHE, which was conducted by British Council (British Council report, 2006a, 2006b, 2006c, 2006d) reveal that a high percentage of the Singaporean students perceive the local qualifications to be higher than the foreign alternatives. This is in contrast with the findings from the Malaysian market in which, students have shown zero interest in the local qualification. The following statements from the mentioned reports clarify this point: “28% of Singaporean students compared to 16% of all TNE students, would have preferred to study a local degree” (British Council report, 2006d, p 6) and “[N]one of the Malaysian students would have preferred to study a local qualification. About a third of the Malaysian students had favoured studying overseas, while nearly two- thirds preferred TNE” (British Council report, 2006c, p 7).

Those students who were enrolled on a TNHE course reflected on whether they had considered undertaking a local qualification before deciding on TNHE. The following table shows their answers.

	TNE students Overall	Singapore Overall	Malaysia Overall
Yes	57.3%	75.5%	18.8%
Yes, but it was not a serious consideration	28.2%	18.0%	33.0%
No	14.5%	6.5%	48.2%
Respondents	1730	727	218

Table 5–4- Consideration of local qualification before deciding on TNE

Source: The above table has been created by combining two tables from two different reports: British Council reports (2006c, p 30) and (2006d, p 30).

Obviously, for the Singaporean students, a local qualification has been much more of a serious option than for the Malaysians (75% with 18% not serious vs. 18.8% with 33% not serious).

Even the preferred choice of study for those students who did not want to undertaking a TNHE programme (UK degree in this case) in their country was as follows:

	TNE students Overall	Singapore Overall	Malaysia Overall
To study overseas	56.4%	40.9%	94.7%
To study a local qualification in current country	48.6%	69.6%	0%
Other, please explain	5.0%	3.0%	5.3%
Respondents	560	296	75

Table 5–5- Preferred choice of study for those who did not choose TNE

Source: The above table has been created by combining two tables from two different reports: British Council reports (2006d, p 27) and (2006c, p 27).

It is clear that whereas the inclination of Singaporean students to study overseas (40.9%) was below the average (56.4%); Malaysian students had a very high interest

(94.7%) in studying abroad. The big discrepancy between the interests of the two markets in local qualifications is noticeable (69.6% vs. 0%).

These findings delineate that the preference of Singaporean students regarding the content of the programmes was slightly skewed towards localisation of the curriculum. However, the Malaysian students' preference was strongly skewed towards standardisation. One could argue that the preference of students for a foreign or local qualification does not necessarily reflect their opinion on the curriculum. The findings from a recent research on the voices of the transnational Singaporean students substantiate the findings of our study. Hoare (2011) identified that the Singaporean's views towards contextualising the curriculum at TNHEIs has changed over time. While previous studies (see for example Pyvis and Chapman, 2007) had shown that students at Western TNHEIs, in general, have a higher preference for Western course content, Hoare (2006) had already reported on some undergraduates who were uncomfortable with the Western contents for believing that those concepts were far away from what was applicable in Singapore. In her recent article, Hoare (2011) finds that Singaporean students tacitly localise the course contents for themselves, independent from the lecturers. She also reports on a consensus among employers over the importance of graduates' awareness of cultural differences and ability of adapting practices to the local circumstances. The findings of Pyvis and Chapman (2007) on the views of Malaysian students of TNHEIs are somehow different to Hoare's (2011) findings in the Singaporean context. They reported a high level of demand for international content and emphasised that to the Malaysian students of those institutions, being more international equates higher quality. They argued that the reason for this dominant view was the students' ambitions of getting employed by foreign multinational companies, which are operating in Malaysia. These findings are consistent with the outcomes of our study and explain the slight deviation of Singaporean students from the standardisation extreme of the curriculum continuum, while Malaysian students seem to have stronger inclinations for more standardised course content.

Despite the differences in the market preference, the institutions have not shown any strong sign of localising their curriculum as a response to the market initiatives in either of the markets. None of the studied institutions had surveyed their students to

find out about their interest in localised contents and almost all of them had undertaken a high degree of standardisation of curriculum, with allowing a small degree of localisation in terms of case studies.

5.4.8.2. The impacts of (I) on staffing

The following table demonstrates the students' preferences on the origin of lecturers.

	TNE students Overall	Singapore Overall	Malaysia Overall
A combination of UK and local lecturers	41.5%	55.0%	28.4%
The quality of education is not dependent on where a lecturer is from	30.1%	30.5%	46.3%
Courses taught by UK lecturers	23.2%	10.7%	23.9%
Courses taught by local lecturers	3.4%	1.9%	0.5%
No opinion/ don't know	1.8%	1.8%	0.9%
Respondents	1730	727	218

Table 5–6- Students' preference on origin of lecturers

Source: The above table has been created by combining two tables from two different reports: British Council reports (2006c, p 32) and (2006d, p 32).

The discrepancy between the Singaporeans' and the Malaysians' views on the origin of lecturers is not as large as for curriculum issues. However, we can still see that the Malaysian students have a considerably higher preference for UK lecturers than the Singaporeans (23.9% vs. 10.7%). Moreover, the Singaporean students appreciated a combination of UK and local lecturers more than Malaysians (55% vs. 28.4%), even higher than the average (41.5%). These two figures indicate that the market preference for non-local lecturers in Singapore is higher than that in Malaysia. However, in both countries, the market preference on the staffing I-R trade-off stands around the middle, with Singapore a bit more skewed toward the localisation end.

Similar results have been emanated from another recent study on transnational Australian universities operating in a number of Southeast Asian countries including Malaysia and Singapore. This study (Miliszewska and Sztendur, 2010) has focused on the student's perceptions and satisfaction in relation to different attributes of their learning experiences in offshore Australian universities. One of the considered attributes is the students' satisfaction with home campus instructors versus local instructors. The following table, which has been reproduced from Miliszewska and Sztendur 's (2010) report, shows the preferences of two groups of students who are enrolled in two Australian programmes in Malaysia and Singapore. The programmes are delivered by a blend of Australian and local instructors. The table also depicts the preferred choice of the surveyed students.

	Programme X Malaysia	Programme Y Singapore
Organisation and presentation for classes	University ($p < 0.001$)	University ($P = 0.35$)
Dedication to students and teaching	University ($p < 0.001$)	Local ($P = 0.13$)
Teaching ability	University ($p < 0.001$)	University ($P = 0.26$)
Encouragement of class participation	University ($p = 0.004$)	Local ($P = 0.18$)
Telephone/email accessibility outside of class	University ($P = 0.85$)	Local ($P = 0.82$)
Overall satisfaction	University ($P < 0.001$)	University ($P = 0.49$)

Table 5–7- The level of students' satisfaction with local and home lecturers

Source: Reproduced from Miliszewska and Sztendur (2010, p 14)

In the above table, the level of significance has been calculated at ($p < 0.05$) by using Wilcoxon test. The word University represents the students' preference for instructors from the main campus in Australia and the word Local presents their preference for local instructors. The difference between the two groups is obvious and it is consistent with the findings from other studies. That is, the Malaysian students have shown significant preference for standardisation of staffing toward the home campus, while the Singaporean group somewhat preferred a mix, with a slight preference for localisation of staffing.

Nevertheless, the studied institutions' staffing policies seem to be less geared to the market preferences than to other external factors. All of the interviewees were asked about their awareness of the preferences of students regarding the content of courses and the origin of the lecturers. None of them had surveyed students to seek their opinions on these matters. The interviewees had some guesses. For instance DM1 said:

We get pressure, particularly in Malaysia to exhort our autonomy and offer courses and majors that are geared to local environment. It is not required by Malaysian authorities that we contextualise, it is just a recommendation. However, we have realised that students are more interested in localised cases. Look, to tell you the truth we have not explicitly asked them but an informal feedback tells us that they are more interested in the generic stuff, like the Australian stuff but they are more inclined to work on , for instance, tax reforms in Malaysia than the Tax reforms in Australia.

This shows that the students' preferences have not been an issue considered by the TNHEIs so far, hence not having a big impact on their strategies.

In all of the cases, the number of native lecturers (coming from the main campus) was considerably smaller than the number of local lecturers. Except at the top managerial levels, the rest of academic staff had been recruited either locally or internationally. According to the interviewees, the academic pool of labour in Singapore is richer than that in Malaysia. Therefore, those TNHEIs which operate in Singapore have fewer difficulties to recruit qualified staff. In Malaysia, several managers told us that they have difficulties in finding appropriate local lecturers and in the case of institution A, they recruit several lecturers from Singapore and bring them to Malaysia. The costs of travel make it almost impossible for the institutions to apply a fly-in, fly-out model. However, they try to strike the balance between the local and non-local lecturers by recruiting regionally and internationally.

5.4.8.3. *The impacts of (I) on research*

Although all of the studied cases were research-intensive universities in their home lands, they were conducting very limited research activities in the host countries. This may change in the future if these institutions reach a break-even point, hence a certain degree of embeddedness in the local markets. However, due to the limited proportions of research activities conducted at the branch campuses, we can conclude that the studied TNHEIs are not much relying on research activities to create FSAs. Of course, there is some evidence that those who conduct research, are interested in focusing on local themes in order to benefit from available public funds. But, in general, they do not have a clear policy in that regard and adhere to encouraging staff to do some research in their own area of interest. Therefore, the stance of those institutions on the research dimension of the I-R continuum is more towards the standardisation (general research).

We noticed that the TNHEI with the multicore structure was conducting more local-related research. The existence of the core department (for some subjects) at the branch campus seems to be the main reason for this. This point was also addressed by AM3, who is at a competitor institution.

5.5. Summary and outcomes of comparative analysis

The following table summarises the findings. The dependent and the independent variables have been separated and the findings on the indicators of each have been illustrated, divided by case. The indicators of L (ext) are the regulatory, the normative and the cognitive distances between the home and the host country. The regulatory distance for the cases in Malaysia has been described as relatively low, while for the cases in Singapore this distance is relatively high. This is because the Singaporean government compared to the Malaysian government, has a more systematic approach toward quality control of TNHEIs. Although having a high level of trust in the providers, the existing regulatory distance does not make many difficulties for the TNHEIs neither in Malaysia nor in Singapore.

The cultural and the normative distances for all cases have been set to high in the table. According to the findings of our research, the cultural and normative differences are the most important issues for TNHEIs. These differences exist between the members of the institutions and the students as well as between the institution (main campus) and the staff (at the branch campus). A high level of recruitment from the host countries and a limited number of staff seconded from the main campus accounts for this cultural-normative gap between the onshore and the offshore institutions. TNHEIs try to breach this gap by running staff training programmes. They also encourage staff to communicate with their counterparts at the main campus. Regular audits and provision of advices by senior academics from the main campus are other methods, which have been employed by the institutions to deal with the cultural and the normative differences.

The indicators of L (int) are the institutional channels through which the parent campus diffuses practices to the branch campus and controls its activities. Therefore, unlike the indicators of L (ext) in the table, the presented findings for L (int) are not representing distances, but merely present whether or not the usage of each channel has been visible in each case. The data shows that the coercive channel has only been used for staff recruitment. The usage of the other two channels has been more visible in the P-S relationships.

The indicators of (I) include the different types of market initiatives. The table shows whether any sign has been observed for each type and how strong the observed sign for each type of initiatives was in the context of individual studied cases. The column for the network optimisation, which is the first type of (I) shown in the table, reveals that a weak sign has been observed for a couple of cases. Nevertheless, the concept was not applicable to two other cases for those TNHEIs had only one branch campus. There was considerable evidence to lend support to the existence of both the local and the global market development initiatives (the second and the third types of market initiatives). The local market initiatives have been stronger for institutions operating in Malaysia, but have also been strong for the TNHEIs in Singapore. The explanation is that the Malaysian HE market is quota-based and thus the minority ethnic groups are being pushed to apply at private HEIs, which include TNHEIs. It was mentioned earlier that the Malaysia's main incentive for liberalising its HE system was first to

compensate the lack of local provision, whereas the Singapore's policies have not been much affected by market forces (Sidhu *et al.*, 2011), although a high local demand for studying at the foreign TNHEIs does exist. Moreover, our analysis showed that the Malaysian students have a strong preference for foreign degrees, whereas the Singaporean students give priority to the local HE institutions in general. Therefore, we conclude that the local market initiatives in both countries are high for TNHEIs, but stronger in Malaysia than in Singapore. The global market initiatives are also strong for the TNHEIs operating in both countries as Malaysia and Singapore are positioned as HE hubs. It is not easy to find out whether this type of initiative is stronger for either of these two countries, because the types of international students who target these two countries are different. Singapore is a more expensive country to live and the entry requirements of the universities are higher than those in Malaysia in general. Therefore, the table only shows that the global market initiatives are strong for both countries.

The table also shows the findings on the stance of each case on the three dimensions of the I-R dichotomy, namely curriculum, staffing and research (the dependent variables).

Institution	Governance Structure	Independent variables									Dependent variables		
		L(ext)			L(int)			I			I-R dichotomy		
		R distance	C distance	N distance	Coercive P-S	Mimetic P-S	Normative P-S	Network optimisation	Market development-local	Market development-global	Curriculum	Staffing	Research
AM	Unicore	Relatively Low	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	No sign observed	Very strong signs observed	Relatively strong signs observed	Somewhat localised	Highly localised (some standardisation)	Standardised (some localisation)
BM	Multicore	Relatively Low	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	No sign observed	Very strong signs observed	Relatively strong signs observed	Standardised (a low degree of contextualisation)	Highly localised (depends on HQ location)	Somewhat localised
CS	Outlet	Relatively High	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	Not applicable	Strong signs observed	Relatively strong signs observed	Highly standardised	Highly localised	Standardised (very limited)
DS	Outlet	Relatively High	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	A weak sign observed	Strong signs observed	Relatively strong signs observed	Highly standardised	Highly localised	Standardised (very limited)
DM	Outlet	Relatively Low	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	A weak sign observed	Very strong signs observed	Relatively strong signs observed	Highly standardised	Highly localised	Standardised (very limited)
ES	Outlet	Relatively High	High	High	Used only for staff recruitment	Visible Usage	Visible Usage	Not applicable	Strong signs observed	Relatively strong signs observed	Highly standardised	Highly localised	Standardised (very limited)

Table 5–8- Summary of findings per case

The following conclusions can be drawn:

- Outlet is the most popular form of TNHE provision. It has less exit barriers and initial set up is easier and less costly.
- The full branch mode requires heavy investment, hence is riskier. But, it has the potential of gaining higher external legitimacy over a period of time. By investing in bricks and mortar, they signal out a more ambitious plan for staying and positioning in the host country.
- Branch campuses in Singapore described the regulatory distance (R) as relatively high, while the branch campuses in Malaysia described it as relatively low. It shows that imposed regulatory barriers on the foreign providers in Singapore are stricter than those in Malaysia. However, these restrictions are not putting them in trouble; it only increases the level of bureaucracy.
- Network optimisation is not being used as a strategic tool to stimulate initiative taking activities and boosting performances.
- The market development strategy is being implemented through both local initiative taking and global/regional initiative taking. However, the former seems to be stronger.
- The local market initiatives for TNHEIs operating in Malaysia are stronger than that for those in Singapore. These differences can be explained by the different market segmentations.
- For TNHEIs with the outlet model (model 2): the curriculum has been highly standardised, staffing is highly localised and research activities are considerably limited.
- For TNHEIs with model 1 structure, including both types of introduced archetypes (unicore and multicore), a degree of localisation of curriculum was observed. Staffing were highly localised for both; however, some standardisation was

observed for the case with the uncore structure. Research activities in the multicore model were more localised (for those faculties, which have their headquarters in the host country).

- Spillover of resources toward the headquarters was only found in the multicore model due to its structural configuration.

The following tables summarise the impacts of the L (ext), I and the L (int) on the dependent variables, by host country.

		Curriculum	Staffing	Research
L (ext)	Regulatory distance	Relatively low	Low	Insignificant
	Normative distance	Low	Relatively low	Insignificant
	Cultural-cognitive distance	Low (depends on subject)	Relatively low	Insignificant
L (int)	Coercive	High	High for recruitment, low for control	Insignificant
	Normative	High	Low for recruitment, high for control	Insignificant
	Mimetic	High	Low for recruitment, high for control	Insignificant
I	Global/regional	Very low	Low	Insignificant
	Local	Low	Low	Insignificant
	Internal	No impact	Low	Insignificant

Table 5–9- Summary of findings on the impacts of the independent variables on the dependent variables for TNHEIs operating in Singapore

		Curriculum	Staffing	Research
L (ext)	Regulatory distance	Low	Low	Insignificant
	Normative distance	Low	Relatively low	Insignificant
	Cultural-cognitive distance	Low (depends of subject)	Relatively low	Insignificant
L (int)	Coercive	High	High for recruitment, low for control	Insignificant
	Normative	High	Low for recruitment, high for control	Insignificant
	Mimetic	High	Low for recruitment, high for control	Insignificant
I	Global/regional	Very low	Low	Insignificant
	Local	Low	Low	Insignificant
	Internal	No impact	Low	Insignificant

Table 5–10- Summary of findings on the impacts of the independent variables on the dependent variables for TNHEIs operating in Malaysia

In the above tables:

The impacts of regulatory distance on curriculum have been low in both countries. However, the Singaporean government puts in place a more restricted quality control framework than the Malaysian government does. But, in none of the studied cases was any change made to the curriculum due to the host country's regulations. The auditors only make suggestions and make sure that the TNHEIs deliver what they have promised.

Despite the regulations for foreign recruitments in Singapore being stricter than those in Malaysia, the impacts of the regulatory distance on staffing in both countries are low. This is because the staffing policies of TNHEIs are more affected by the costs of travelling and the availability of qualified academics, not the regulatory barriers imposed by the host country's authorities.

The impacts of the normative distances on curriculum are low in both countries. The reason is the highly standardised models employed by the TNHEIs, which gives little autonomy to the lecturers to make some change in the curriculum.

The impacts of the cultural-cognitive distances on the curriculum are also low for a similar reason as for the normative distance. However, for some subjects such as art, humanities and social sciences the cultural differences may become more visible than for courses like engineering.

Although staffing is affected by the cultural-cognitive factor anyway, the impact is relatively low for the staffing policies at TNHEIs are more affected by other elements, which were addressed earlier.

In terms of the P-S relationships, the impacts of using the coercive institutional channel on curriculum have been high. The curriculum, in most cases, is pre-bundled and the lecturers at the offshore campus are given limited autonomy to make changes only in marginal areas, such as case studies and tutorials. The actual parental controlling mechanism, however, takes place through the mimetic and the normative channels as the unit controllers try to communicate and liaise with the lecturers and make suggestions rather than apply any form of sanction.

The impacts of using the coercive channel on the stances of TNHEIs on the staffing dimension of the I-R paradigm needs to be assessed in two different categories. For staff recruitments, the parent unit is highly involved and thus the use of coercive channel is highly visible; whereas for checking on the staff's work quality and performance, the usage of coercive channel is very limited. Instead, the normative and the mimetic channels are commonly utilised. No difference was observed between the impacts of L (int) on the dependent variables in the context of the TNHEIs, which are operating in the two host countries.

The influences of market initiatives on curriculum have been low. There was no sign of any existing impact by the internal market initiative for there were very weak signs of market optimisation. Furthermore, the institutions seemed to be not much concerned about the students' preferences in terms of localised or standardised

curriculum. They would pay even less attention to the preferences of international students. The impacts of all types of market initiatives on staffing have been low for similar reasons.

Since the studied TNHEIs were conducting research to a very limited extent and that amount was controlled and directed by neither the parent unit, nor the local authorities, the impacts of all the indicators of L (ext), L (int) and I on the stances of the TNHEIs on the research dimension of the I-R dichotomy are insignificant. There are only some signs that the availability of some local research funds and projects may act as an incentive for some academics to choose local themes for their research projects. Furthermore, when an institution engages with local research, it is hypothetically expected that this improves the external legitimacy in the host country. However, with the limited research activities conducted at the TNHEIs, it is not possible to give an accurate answer to this question at this point of time.

Comparing the above tables, the following results can be concluded.

The impacts of L (int) on the curriculum, staffing and research have been similar for the both sets of TNHEIs, which are operating in different countries.

Although there are considerable differences in the market initiatives (in relation to the market preferences) between the two countries, the strategies of TNHEIs have not been noticeably influenced by this factor. It seems that despite being involved in an arguably intense competition, TNHEIs operating in both countries are having relatively sufficient applicants, so they have not needed to investigate the students' particular expectations and bring them into account when devising their strategies regarding the curriculum design, staffing and research policies. The lack of local provision in Singapore and the quota-based market segmentation in Malaysia combined with the market accelerationist attitude of the host governments have provided relatively big target markets for TNHEIs. This is not in contrast with the argument of existing intense rivalry among these institutions. However, it delineates that the main selling point for those institutions is their reputation, followed by the lower cost of studies.

Furthermore, we conclude that:

- a) The institutional strategies regarding curriculum design have been mostly influenced by L (int), which pulls the branch campus toward replication of the parent campus.
- b) The institutional strategies in terms of staffing have slightly been influenced by both L (int) and L (ext), but not I. However, the operational impediments have deterred TNHEIs from undertaking their desired strategies.
- c) The L (ext) seems to be the main factor, which influences the strategies of TNHEIs of Singapore and Malaysia differently.
- d) FSAs created by TNHEIs are of non-location bound disposition. They are created by transferring ownership advantages (pre-bundled curriculum, reputation, etc.) to the host countries and taking advantage of the location advantages (local staff, large local and regional market sizes, low regulatory barriers).

The above findings have also been tested against the findings from the assessment of mission and vision statements of the six institutions. These statements, which have been named differently by different institutions (e.g. mission and vision, organisation values, strategic plan, ambitions, etc.), were accessed through the websites of these universities. Reading the whole document the most essential issues elaborated by the institutions have been highlighted and summarised in the table below. It is important to note that these key elements have been paraphrased so as to protect the identity of the institutions along with the anonymity protocol that has been underpinned in this research.

Institution	Vision/mission/value
AM	<ul style="list-style-type: none"> - Provision of international education - Teaching and research excellence - Benefiting both local and international communities - Enhancing life standards for people - Aiming at world-wide reputation - Financial sustainability as an essential mean to sustain the institution's mission
BM	<ul style="list-style-type: none"> - Contributing to create a better future for people by training scientists, technicians and tomorrow's leaders - Engaging with the local communities - Tackling serious challenges of our time, especially at the international scale - Aiming at establishing an international brand as a high quality knowledge institution - Attracting the brightest students from around the world by relying on our reputation
CS	<ul style="list-style-type: none"> - Benefiting communities, which are directly and indirectly linked to our operations - Creating professional environment for students and staff - Supporting students to take advantage of opportunities
DS	<ul style="list-style-type: none"> - Provision of high quality education - Maintaining the organisational culture and values across all levels of the institution
DM	<ul style="list-style-type: none"> - Maintaining commitment to knowledge sharing via high quality teaching and research - Respecting the organisational culture and values across all levels of the institution - Aiming at creating a strong brand name in the region and in the world
ES	<ul style="list-style-type: none"> - Contributing to create a bright future in the operating countries and worldwide - Producing skillful and knowledgeable graduates - Supporting local and regional communities - Financial sustainability as a mean to secure excellence

Table 5–11- Summary of vision/mission and organisational values of the six cases

Comparing the key themes from the mission, vision, value and future plan statements that are summarised in the table above, it is clear that the social contribution of the universities plays a pivotal role. It seems that the universities have been eager to stress their commitment to their social responsibility in their statements. There are only two institutions among the six cases that have clearly mentioned the concept of financial viability, however, they have emphasised that the ultimate aim of this economic

objective is to guarantee the organisations' sustainability in order to benefit the society by providing higher quality service. This finding leads to the conclusion that the external legitimacy (the social aspect) is a more essential concept for the strategy makers of these institutions than the economic aspect, at least at this point of time. This is consistent with the above findings about the impacts of the elements of the aggregated LIL on the strategic choice of TNHEIs.

In the next chapter we will revisit the main research question of this research and classify the above implications to address them.

Chapter 6

Summary and conclusion

CHAPTER SIX

Introduction to chapter

In this chapter we revisit the objectives and the empirical analysis and move toward a conclusion. To this end, a short summary of the steps taken will be provided; followed by brief discussions on the theoretical and the practical contributions of this study. At the end, we will address the research limitations and discuss the future landscape of this stream of research.

6.1. Summary

The aim of this research was to investigate how TNHEIs strategically manage their offshore branch campuses. In order to answer this question we had to probe into the literature of TNHE and understand the major managerial issues, which had been highlighted by the practitioners and scholars. However, since the transnational HE provision is a sub-domain of the literature on internationalisation of higher education, we started by sketching the surface of globalisation and internationalisation of HEIs. This review enabled us to tap on a number of key issues such as commodification and marketisation of higher education. It was necessary to explore the market mechanisms in the HE sector to understand the economic behaviour of HEIs, which are operating in a free market infrastructure. This led us to discover the debate on the public-private nature of HEIs. Given the public good aspect of HEIs and the long trajectory of their operations as public organisations, the incorporation of commercial wisdom in light of the neo-liberal ideology has led to challenges. These challenges alluded that the patterns of market competition in the HE sector are more complicated than those for fully for profit or fully nonprofit organisations.

Our review of the literature revealed that several HE scholars have argued that competition in the HE market is reputational. We also spotted a number of studies in which scholars from economy and business backgrounds had considered the HEI as for-profit entity. The former group have turned a blind eye towards the need of HEIs

for financial viability and the latter group had neglected the reputational game, which resonates with the collective aspect of social capital for such organisations. By referring to the works of scholars such as Gumpert (2000) and Weisbrod (1998) who have stressed the hybrid structure of HEIs, we concluded that creating competitive advantage in the HE sector requires accomplishing two accounts: economic and social. The economic account subscribes to the logic of market competition while the social account relies on the zero-sum positional arms race. We argued that these dual sources of competitiveness entail a simultaneous heavy reliance on both economic and social capitals in order to move towards success. This notion was utilised later to construct the theoretical model for this research.

Then we turned to the literature on TNHE, which is the focal theme of this study. The review of the relevant literature with regard to the managerial ramifications and impediments, along with borrowing a management paradigm known as the I-R dichotomy, led us to construct a multidimensional framework. We argued that this framework would provide an analytical tool for illustrating the adaptation-standardisation strategies of international branch campuses. We also argued that it highlights the hazards of taking polarised strategic stances (global integration or local responsiveness); and suggests a “both-and” approach. The framework consists of three dimensions: research, curriculum and staffing. These elements were used as the dependent variables in our research model.

Since the aim of this research is exploring and understanding the different aspects of managing offshore branch campuses, the developed framework was not sufficient for this purpose. In particular, we were interested to know the set of factors, which were influencing the strategic positioning of TNHEIs on the identified dimensions of the I-R paradigm. Therefore, our attention was attracted to the literature of MNEs. Amongst the different and fragmented stands of MNE literature, we focused on the subsidiary positioning on the I-R paradigm. It helped us to build a theoretical model (the aggregated LIL), which identified subsidiary’s strategic stance on the I-R paradigm as a function of two types of legitimacy imperatives; of the entrepreneurial response to the market initiatives and of MNE network optimisation. These three elements constituted the independent variables in our research model.

The next step was to test the model with empirical data. This test served three purposes. Firstly, it approved the construct validity of the developed model. Secondly, it tested the applicability of the model and demonstrated its analytical utility. Thirdly, it yielded a number of insightful implications, which were discussed in the fifth chapter.

In the succeeding section, we will explain the theoretical and the practical contributions of this research to the fields of HE and international strategic management.

6.2. Contributions and concluding remarks

In the second chapter we referred to scholars who had argued that the literature of HE in general lacks theories; and especially, the TNHE literature, which is relatively new. Moreover, the managerial aspects of operating HEIs have not received enough attention from scholars. A number of policy- and practice-oriented works have been carried out by the Observatory of Borderless Higher Education to date, but they provide neither a robust theoretical explanation, nor an analytical tool for appraising the strategies of TNHEIs. Therefore, this research fills this gap by developing an analytical framework and a theoretical model, which - together - are capable of addressing the concepts mentioned. The multidimensional framework, which is rooted in the existing literature of TNHE functions to glue the scattered strands of that literature. The underlying logic of the framework enables further extensions as it accepts new dimensions to be added to it. Furthermore, it provides the ground for several studies to be carried out in the area of strategic positioning of branch campuses on the I-R dichotomy.

The aggregated LIL model, however, sheds more light on the concept of positional strategies of TNHEIs on the I-R paradigm by illuminating the influential factors, which affect the positioning and the positional change strategies. The construction of the aggregated LIL model, also contributes to the field of strategic international business. The majority of theories and models, which have been developed for MNEs are grounded on evidence from manufacturing organisations. Even the works that have addressed services have only looked at the for-profit sector. The aggregated LIL

and its application in the TNHE field demonstrated that TNHEIs are special and not fully compatible with the conventional MNE theories. In particular, the hybrid structure/nature of HEIs is not addressed by any of the MNE models. Hence, building field specific models is a necessity to come to terms with the idiosyncrasies of particular industries.

We argued that the competitive behaviour of TNHEIs is twofold. One aspect is a reputational zero-sum contest, which draws on the long trajectory of HEIs operating as nonprofit organisations; whereas, the other aspect is the market rivalry based on the economic exigencies. The challenge emerges from the tension between the outcomes of pursuing economic goals and nonprofit missions; as by drifting into commercialisation, HEIs may jeopardise their legitimacy and public trust (Gumport, 2000). The aggregated LIL led us to argue that it is paramount to stress simultaneously both economic functions (mostly stressed by economists) and social functions (stressed by institutionalists). Since the constituents of the aggregated LIL belong to different schools of thought (institutional theory and the RBV), it enables addressing both the economic and the social accounts. The model will also postulate the mechanism in which the transnational university's branch campus commensurates the generation of economic rent and the collective aspect of social capital (Tsai and Ghoshal, 1998) in the host market. The former concept resides in the orthodox economic view of the organisation, which solely addresses the financial viability of the enterprise, whereas the latter draws on the cognitive dimensions of collective goals (Nahapiet and Ghoshal, 1998), which lead to attaining higher legitimacy, hence excel in the positional contest. The following figure illustrates this meaning.

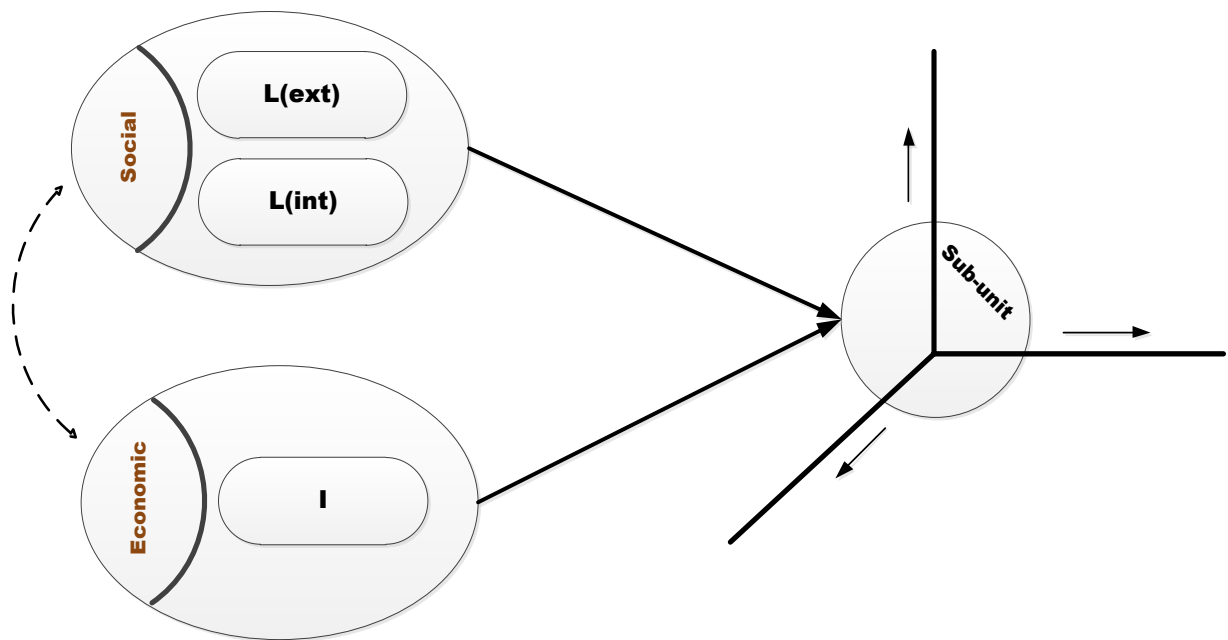


Figure 6-1- The impacts of social and economic capitals on sub-unit stance on the I-R paradigm

The contribution of our model is to theoretically decompose the intermingling functions of economic and social capitals to elucidate how they contribute to the hybrid organisation's strategic positioning on the I-R paradigm, particularly TNHEIs. Despite having many elements, the aggregated LIL model offers a parsimonious solution to compartmentalising the different types of complexities in TNHEIs.

It must be stressed that the functions of the economic and the social capitals are inseparable in the real world. In other words, they reciprocally influence each other. Thus, the choice of a subsidiary regarding taking a stance on the I-R paradigm is the result of an interwoven function of the two accounts. However, the model compartmentalises them in theory to allow for assessing their different functions and to accentuate their crucial roles in contributing into the success of TNHEIs.

Although the aggregated LIL suggests that capitalising on the economic and the social accounts are both influencing the branch campus's choice of stance on the I-R paradigm, the service organisation may not be able to maintain them at the same time. As Campbell and Verbeke (1994) argue, the transnational solution for services is more likely to take place in two stages (see also Brock and Alon, 2009; Capar and Kotabe, 2003; Contractor *et al.*, 2003). They say that the first stage is addressing

social responsibility, hence reaching a certain level of legitimacy in the host country and the second stage is pursuing economic excellence. In the aggregated LIL language, the institutional capital may be –to some extent- prioritised to the resource capital. This meaning has been highlighted by introducing the threshold and the core competences in the aggregated LIL bare bone model. However, the sequence depends on the elasticity of the parent-subsidiary relationship. The results of our empirical analysis exemplify this argument. They revealed that the most influential factor in shaping the strategies of TNHEIs in the host markets was L(ext). Given that all the cases studied (and most of branch campuses across the world) are in their early stages of operations in the host countries, the need for a higher degree of embeddedness has led their strategies to be shaped by the external legitimacy imperative. It was also depicted that the strategies of TNHEIs were less influenced by the market initiatives. This means that at this stage, the TNHEIs are mostly involved with the positional game. The big sizes of local and international student markets in Malaysia and Singapore, plus the quota-based market segmentation in Malaysia, has provided sufficient demand for those institutions. Of course, the increasing number of TNHEIs in addition to the rapid expansion of local private sector in those countries and the proliferation of domestic provision in China (the biggest supplier of students for Malaysia and Singapore), has intensified the competition for TNHEIs. However, it is evident that their main selling points, which have been their ownership advantages (reputation of the home campus) have been strong enough to attract a fair number of students for them to make the ends meet. Thus, revenue generation has not been at the centre of their strategies so far. It seems that those TNHEIs, which have survived have had deep pockets for the first stage. Once they reach an acceptable level of local embeddedness, which is equal to less liability of foreignness, it is hypothetically expected that their strategies shift toward revenue generation. If this change takes place, the role of market initiatives in shaping the strategies of TNHEIs will become more important. Furthermore, these institutions will have more options for creating different types of FSAs.

We pointed at a number of TNHEIs, which failed to continue their operations and closed down their offshore campuses. Most of them were at the very early stages of their operations. The main reason for the failures was mentioned to be the lack of student enrolments. This denotes that their strategic mistake was not realising the

multistage sequence of positioning. In other words, it seems that those institutions were not prepared to have deeper pockets during the first stage of their internationalisation process, which requires investment in legitimacy building and embeddedness (costs of acquiring threshold competence) and not expecting a highly positive economic performance.

Based on the conceptual research model, which was presented in chapter four, we introduced four research questions. These questions were all addressed in chapter five in detail. In order to avoid unnecessary repetition, here we only address the main findings.

1- How/to what extent does “L (ext)” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?

The L(ext) comprises three elements, which are the host country’s regulative, normative and cultural-cognitive pillars. We assessed the impacts of these elements on the choice of the branch campus regarding its stance on the three dimensions of the I-R paradigm. The results show that the impact of the regulatory pillar on the local adaptation of curriculum has been low in both countries, although a small variation was observed between them (the regulatory framework in Singapore was stricter than that in Malaysia). The host countries seem to have a high level of trust in the foreign HE providers and therefore, have not imposed very restricted controlling systems. The impact of normative and cultural-cognitive pillars on the local adaptation of curriculum has also been low. These impacts on the research dimension were insignificant for the TNHEIs are conducting very limited research activities. The impacts of the normative and the cultural-cognitive pillars on the adaptation of staffing have been relatively low and the impact of regulative pillar on that has been low too.

2- How/to what extent does “L (int)” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?

L(int) comprises three institutional channels: coercive, normative and mimetic. The impacts of all of these elements on the local adaptation of the curriculum have been high.

The impacts of the normative and the mimetic channels on the local adaptation of staffing have been low for staff recruitment. However, they had a high impact on staff control. Opposite to this, the impact of coercive channel on the local adaptation of staffing has been high for recruitment, but low for staff control.

These impacts have all been insignificant on research, due to the lack of extensive research activities in TNHEIs.

3- *How/to what extent does “I” influence branch campus’s stance on the three dimensions of curriculum, staffing and research of the I-R dichotomy?*

It comprises three elements: global/regional, local and internal. The impacts of global and regional market initiatives on the adaptation of curriculum have been very low. The impact of local market initiatives, however, was stronger compared to the local and global initiatives, but still low. The internal initiatives had no impact.

The impacts of all the three types of initiatives on staffing have been low. Those impacts have been insignificant on the local adaptation of research.

4- *Which element (or which combination of elements) among L(ext), I and L(int) has had the most significant impact on the strategies that have been crafted by each of the TNHEIs so far?*

L(int) has the highest impact on the strategies of the branch campus regarding the adaptation of curriculum.

The impacts of L(ext) and L(int) on the institutional strategies regarding staffing are visible. However, the analysis shows that staffing policies have not been influenced by the market initiatives.

L(ext) was the main factor, which influenced the strategies of TNHEIs.

6.3. Research limitations and outlook

Similar to any other research, this study is bound to have limitations. Despite being explanatory and explorative, the findings of this research have both theoretical and empirical limitations.

6.3.1. Theoretical limitations

The main outcome of this study is building a theoretical model and a conceptual framework. The multidimensional framework contains three dimensions. These dimensions were discovered as the key elements by reviewing the existing literature. However, future studies may cast light on some other key elements. The framework is flexible and capable of accepting additional dimensions should there be any in the future. Clearly, it will be impossible to draw a graphical portrayal of more than three dimensions. But, the logic of the framework will remain unchanged as long as the I-R dichotomy is kept at the centre.

The aggregated LIL model purposely decomposes a number of elements to reduce the complexity of managing TNHEIs. However, these elements may have some impact on each other. We discussed this issue in the third chapter in details and we argued that the aggregated LIL is a static model. As it stands, it is not suitable for analysing long periods of operation of an organisation. The underlying assumption is that organisational legitimacy cannot be gained over a short period. We also argued that in a long run, a subsidiary might achieve a higher level of internal legitimacy by harnessing a large number of market initiatives. This means that the elements of (I) and (L (int)) may become dependent as the time passes. However, given the short trajectory of TNHEIs' operations and that the internal legitimacy of a branch campus does not necessarily increase by revenue generation, the implication of this study are not affected by this limitation. The potential interdependence between the two elements can be a hypothesis for a future longitudinal analysis.

Moreover, the model has been operationalised at the subsidiary level. We call upon further studies on the application of this model at the micro level. The dynamics of

other stakeholders' reflections to the identified imperatives can add to our knowledge of TNHEI's behaviour.

6.3.2. Empirical limitations

The limited number of case studies and the level of operationalisation (subsidiary level) of the model imposed some limitations to the findings. A stakeholder analysis could shed more light on the interplay between the aggregated LIL elements at the inter-organisational level. Of course, the views of the key stakeholders have been taken into account by drawing on multiple primary and secondary sources. However, since the unit of analysis is the branch campus (subsidiary), the stakeholder's views have been used to supplement the collected data. If this were practically feasible, a comparative analysis on the branch campus's stakeholders will lead to insightful implications.

Furthermore, the selected cases are all Anglo-Saxon universities with branch campuses in South East Asia. The selected host countries are both educational hubs with high interests in facilitating TNHEIs' operations. Therefore, the findings have geographical limitations. Replications of this study in other regions can stretch those boundaries. Especially, testing the aggregated LIL in the context of TNHEIs with North-North and/or South-North expansion routes can lead to interesting and useful findings.

The dimensions of the multidimensional framework developed in the second chapter are not completely independent. Considering these interdependencies can lead to a number of new hypotheses for future research. It is also interesting to investigate whether or not the origin of the TNHEIs (the home countries) with regard to their different national HE systems has any impact on their operations at their international branches.

Moreover, as far as the dependent variables are concerned, no distinction has been made between the localisation-standardisation of curriculum at the undergraduate and the graduate levels or for professional degrees. This is because, nowhere in the extant literature on the international branch campuses has this issue been highlighted as a

key factor faced by the TNHEIs. However, as a logical possibility, we call upon future investigation of this matter.

6.3.3. The future of TNHEIs

It is not easy to speculate about the future of TNHEIs at this stage as it depends on several different factors. As discussed previously, the transnational provision of higher education in the form of foreign branch campus is still in its childhood era. Assuming that the external factors such as the world's economy and the job market do not change significantly, the future of such organisations will be highly dependent on the success or failure of the current TNHEIs. Despite a number of failures, successful cases have also been observed. It is expected that as the TNHEIs gain higher levels of embeddedness in their host countries, they take further steps and bring changes to their strategies. These changes will not be necessarily symmetrical. Some of these institutions may decide to expand their economies of scope and therefore, establish more branch campuses in other countries. However, some others may expand the dimensions of their activities in their current markets by increasing the number of students, getting involved with national projects and investing in their research activities. So far, there are some signs that a number of TNHEIs have started offering PhD programmes (e.g. University of Nottingham, 2011). Moreover, all of our interviewees stressed that they are planning to pay more attention to research activities in the near future.

It is also possible that the Anglo-American dominated market of offshore branch campuses gradually changes. Several French, German and Dutch universities are offering courses in English. Some of them have already embarked upon establishing international branch campuses. Some Indian universities have also entered the market and opened branch campuses in the UAE. Therefore, it is expected that players from countries other than the US, UK and Australia enter this game.

In the Asian transnational higher education market, the competition is becoming more and more intense. Currently, in Asia there are six education hubs, namely Malaysia, Singapore, Hong Kong, UAE, Qatar and Bahrain (Knight, 2011; Knight and Morshidi, 2011). However, the number of countries that are interested in hosting foreign universities is not confined to these ones. Therefore, a competition exists

between the host countries to attract reputable foreign universities. If this competition becomes more intense, the bargaining power of reputable universities against the host countries may increase. This can lead to a different type of relationship between the university and the state.

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Appendix A

This plan was the initial proposal for the second phase of the empirical part of this research. It was changed as explained in the thesis. However, the proposed method in this appendix can be used for future research in this area.

Phase two

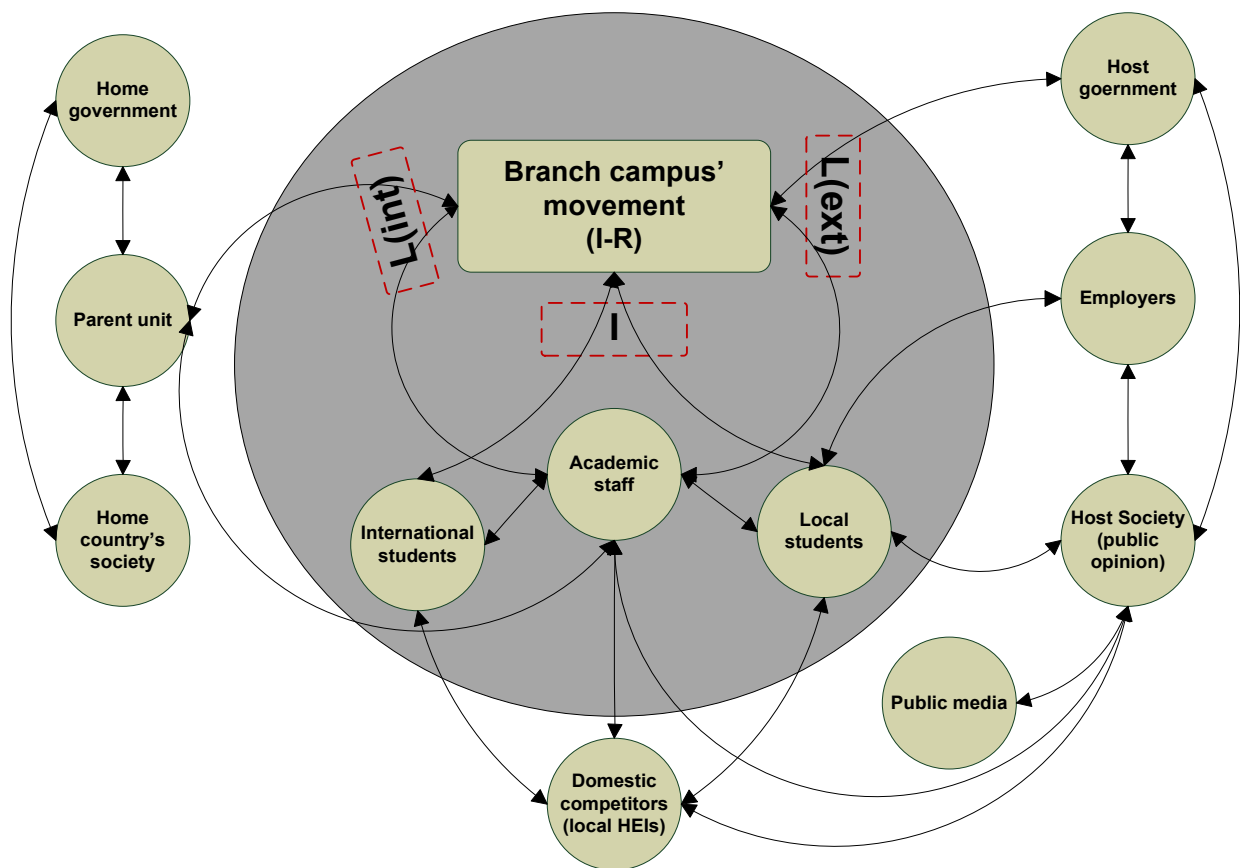
Assuming that the internal validity of the framework is approved in the first phase, we need to identify the key people to be questioned. For this purpose, we need to identify the key groups or persons who have the greatest impact on the process of evolution of branch campuses towards standardisation or adaptation. In other words, we should seek the *key stakeholders* who influence the mentioned process of change. A TNHEI with offshore branch campus(s) has a variety of stakeholders, both at the home and the host countries of its operations. Considering the fact that HE is a public good, in a broader scale regional and international stakeholder can be identified as well. However, what we need here, is to identify the key stakeholders in the most immediate layer that influence the changes of the branch campus on the three dimensions of standardisation-adaptation evolution (research, curriculum, staffing).

The legitimacy of a TNHEI is highly dependent on the stakeholder's accomplishment of interests. It has been argued that universities today are turning into "social enterprises" (Knight, 2011; Knight and Morshidi, 2011) with paramount public tasks. Hence, "the *social dividend* comes through the delivery of improved public goods to stakeholders" (Dart, 2004).

Benneworth and Jongbloed (2009) introduced a multi-layer, onion shape framework for the stakeholders that affect the decision-making process of universities. They put the HEI in the core, surrounded by three concentric circles in which the radius increases when approaching the outer circumference from the centre. They named the first immediate layer (with shortest radius) *definitive*, the second layer *expectant* and

the third layer *latent*. They positioned the stakeholders with the greatest level of influence on the decision-making process of the HEI in the definitive layer. Other stakeholders, according to their level of influenced were scattered in different layers. Those with lower levels of influence were positioned on a larger distance from the core.

In this research, we use a similar approach to Benneworth and Jongbloed (2009). The branch campus will be in the centre and the stakeholder's positions on the diagram depend on the level of their influence on the branch campus's evolution towards standardisation or adaptation. The positions of the stakeholders are identified based on their direct impact on the process of I-R evolution.



In the above shape, the grey layer includes the key stakeholders with a greater influence on the branch campus's I-R evolution compared to that of those outside the grey area. The greatness of this influence has been assessed on two attributes: *direct*

impact and *adjacency*. The academic staffs, international and local students have addressed the both attributes. The host government has a direct influence on the process through regulations, but as it devises the general guidelines and constrains, it has no adjacent influence. Thus, the government stays outside the grey area. The parent unit's influence is semi-direct but not adjacent as they devise the institution's general framework and the diffuse the practices through the branch campus manager(s). The other stakeholders, which are shown in the map influence each other and therefore, indirectly and remotely affect the change process through the stakeholders that are positioned in the grey layer. For instance, the host society's opinion regarding the quality of higher education (upon their preference of standardisation or adaptation) can be reflected by the local students as the students and their parents are members of the society, hence, influenced by the public opinion. Another example is the employers. In a free market economy, job positioning, especially in the pool of educated labours, is competition based. Mostly through the word of mouth and in some countries by publically published statistics, students have an overall evaluation of the HEIs as to what universities have a considerable rate of graduates' employment. Despite being inaccurate, this general evaluation affects the image of HEIs and their positioning in the students' and their parents' minds. Therefore, the influence of the employers can be appraised by assessing the student's views and their reasons for selecting that HEI in regard with their further employment. In addition to this, some academics are in contact with the industry and are able to describe the employers' expectations from graduates (this is highly dependent on the type of subject).

In the map, illustrated above, the arrows show the reciprocal influences that the stakeholders have on each other. Some of these influences, which were not very significant, have been eliminated from the map to avoid more complexity. However, in the following matrix, these influences are addressed.

	Key stakeholders	Home gov.	Parent unit	Home society	Academic staff	Host gov.	Employers	Host society	Domestic Competitors	Public Media	International students	Local students
L (int)	Home gov.		Regulation	Influence public opinion	ND					Influence opinion	ND	ND
	Parent unit	Regulation		Social institutions	Regulative/ Normative	ND	ND	ND		Influence opinion	ND	ND
	Home society	Influence public opinion	Institutions		Cognitive if the staff is from the home			In some cases such as post-colonial territories		Influence opinion	ND	
L (ext)	Academic staff	ND	Regulative/ Normative	Cognitive if the staff is from the home country		Regulative/ cognitive if the staff if from the host country	ND	Social institutions	ND	ND	Cognitive	Cognitive
	Host gov.		ND		Regulative/ cognitive if the staff if from the host country		Regulative/ Normative	Social institutions	Influence expectations	Influence opinion	ND	ND
	Employers		ND		ND	Regulative/ Normative		Cognitive	influence expectations	Influence opinion	Job opportunities	Job opportunities
	Host society		ND	In some cases such as post colonial territories	Social institutions	Social institutions	Cognitive		Influence public opinion	Influence opinion	ND	Cognitive/ Normative
	Domestic Competitors				ND	Influence expectations	influence expectations	Influence public opinion		Influence opinion	ND	Influence opinions
	Public Media	Influence opinion	Influence opinion	Influence opinion	ND	Influence opinion	Influence opinion	Influence opinion	Influence opinion		Influence opinion	Influence opinion
	International students	ND	ND	ND	Cognitive	ND	Job opportunities	ND	ND	Influence opinion		Cognitive
I	Local students	ND	ND		Cognitive	ND	Job opportunities	Cognitive/ Normative	Influence opinions	Influence opinion	Cognitive	

ND: Not direct influence

Grey box: very weak and insignificant influence

Apparently, in a larger scale research in the future, it would be helpful to approach all the mentioned stakeholders, but in this research, we will collect data from local students, international students, academic staff and branch campus managers (to investigate the parent unit's influence). By documentary analysis and questioning branch campus managers, we will try to collect data on the impacts of the governmental regulations on the process of subsidiary's I-R evolution. The impacts of

the other stakeholders, which are shown in the map, will be assessed through the mentioned channels.

As highlighted in the above map, by referring to the holistic LIL, the views of the local and the international students regarding the I-R evolution represents the market initiatives (I). Indeed, the views of these two stakeholders are affected by other stakeholders, but since they are the most adjacent stakeholders with a direct influence (in the grey area), they will be selected to answer our questions.

Academic staffs have a very important role as a stakeholder. On the one hand, the parent unit's policies (on I-R evolution) are put in place through academics. For example, they may order the lecturers to adhere to the standard curriculum or otherwise. On the other hand, as the employees of the institution, academics influence the norms and cultural-cognitive institutions within the HEI. Depends on whether the academic staffs are recruited from the host country or seconded from the home country of the institution, they contribute to change the norms and cognitions. In other words, the academic staffs link the institutions at macro level (national/international) to the institutions in micro level (at the institution). These dual impacts put them in a delicate situation for this research. The impact of the academic staffs on the evolution of the branch campus by affecting the normative and cultural-cognitive institutional profiles of the HEI, combined with that of the host government through regulatory profile construct the indicators of L (ext).

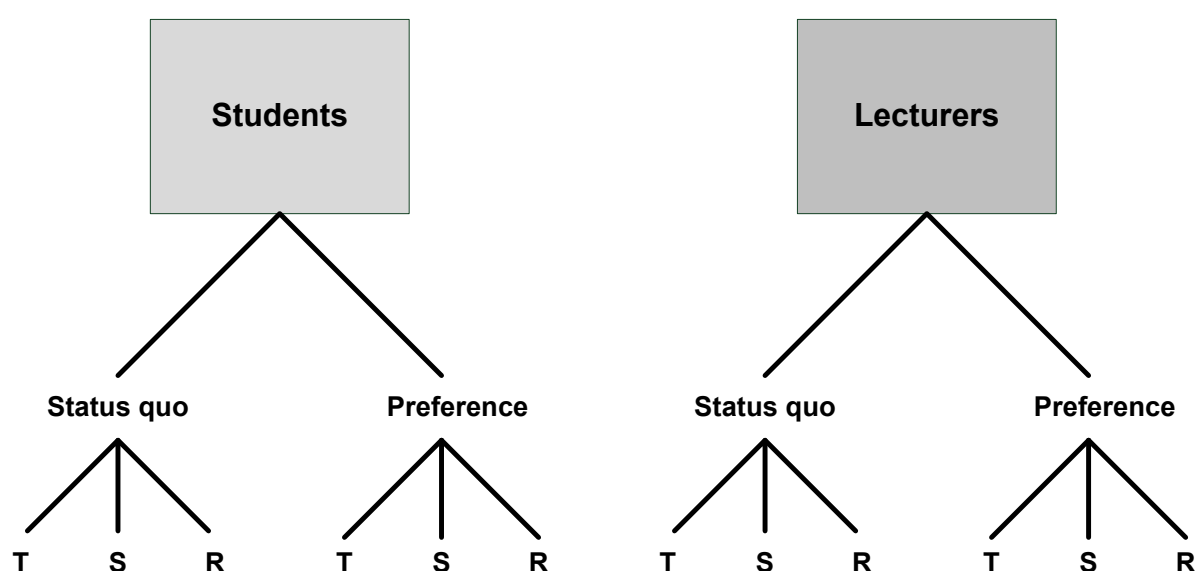
The impact of the academic staffs on the evolution of the branch campus by conforming to the parent unit's mandates (coercive) in addition to that because of normative/mimetic profiles (if academics are from the parent unit and thus bring along the norms and cognitions or automatically are willing to mimic the parent unit's styles) would represent L (ext).

As an important implication of this research, we are expecting to figure out whether in these cases the market initiative (I) factor is supporting L(ext) and therefore, pulls the branch campus towards local adaptation, or it is supporting L(int), thus pulling towards standardisation. We are expecting to find out the strategic response of the HEIs to these forces.

The scales of the data collection in this phase are larger than that in the previous phase. To find out about the orientation of the students' interests and their views regarding their expectations from the HEI, we need to approach a larger number of them. The same logic applies to the academics. Therefore, an online-based questionnaire will be developed and sent to the students of the three institutions, which are selected for this study. Survey Monkey seems to be an appropriate tool for this purpose.

What should be asked?

Looking at the conceptual research model, which was presented earlier, at this stage, we need to collect information from the students and lecturers in the three cases. Considering the dependent variables, we need their reflections on the three dimensions of teaching, research and staffing in terms of standardisation and adaptation. There are two different situations in which we need to have their opinions: the current situation (status quo) that shows their perceptions and feelings about the service that they are receiving, and their preferences.



Source: Author

Therefore, there are twelve areas that the questionnaire must cover. We show these areas by using the initial characters on each branch from the top to the bottom of the above cascade. For example, student-status quo-teaching will be shown by SST. Each area is explored below:

SST: the students' answers to a set of questions that investigate their current perception of teaching (curriculum in particular) as to what extent is standardised or localised.

SSS: the students' answers to a set of questions that probe into their current perception about the academic staff (lecturers) in relation to their nationalities. In other words, do the students feel/think that there are more local academics than internationals (from the home country of the HEI), and thus they feel that they are studying in another local HEI or otherwise.

SSR: The students' views towards the orientation of the research activities.

Note: this part is not applicable to our cases as our targeted students are at the undergraduate level and are not involved with research activities.

SPT: The student's answers to a set of questions that ask them about their preference regarding the orientation of curriculum (standardisation-adaptation).

SPS: The student's answers to a set of questions that ask them about their preference regarding the nationality of the academic staff. Do the students prefer to have lecturers who are coming from the main campus, so they feel that they are receiving the same educational service as the students in the main campus or otherwise?

SPR: not applicable here, similar to SSR.

LST: The lecturer's answers to a set of questions, which ask them about the current level of standardisation and localisation of the curriculum.

LSS: The lecturer's answers to a set of questions, which ask them about the current mixture of international and local academics. Do they feel that they are working in a

local institution with local organisational norms and cultures due to the type of management and the proportion of the local staff to the foreign staff?

LSR: The lecturer's answers to a set of questions, which ask them about the current orientation of their research activities. Are they currently exploiting the local advantages of being situated in that country/region, hence direct their research topics towards local oriented subjects or their researches are about issues that could be done anywhere else?

LPT: The lecturer's answers to a set of questions, which ask them about their preference regarding the orientation of curriculum (standardisation-adaptation).

LPS: The lecturer's answers to a set of questions, which ask them about the current combination of the local and international academics. Do they see a kind of inconsistency in the organisational norms and the cultural issues among the academic staff, and therefore, they prefer to have a more integrated academic society, or they see this diversity as an advantage?

LPR: The lecturer's answers to a set of questions, which ask them about their preference in regard with the orientation of their research activities.

As discussed earlier, the academic staffs are at the intersection of L(ext) and L(int). Therefore, at each of the above areas, they will be also questioned upon the restrictions, sanctions, or practices that are imposed by the parent unit. They will also be asked about the impacts of the local regulations on their performance in each area. The questionnaire will provide them with a memo space, so they can include some additional explanations. Some of the questions will be quantitative and assessed by Likert scaling and some others will be descriptive.

Upon the completion of the data collection phase, a comparative analysis will be run on the three cases at institutional and cross-institutional levels. In each case, we seek answers to these questions:

- What is this HEI's branch campus doing in terms of standardisation-adaptation of curriculum/staffing/research?
- Do the perceptions of students about the amount of standardisation-adaptation of the mentioned elements (dependent variables), match with the lecturer's answers?
- Are the student's preferences different from what they are experiencing?
- Are the lecturer's preferences different from what they are currently doing?
- Do lecturers have autonomy to pursue and implement their preferences?
- What (incentives) makes the lecturers have a different preference from what they are doing? (student's interests, organisational culture, personal interest, etc.)

In a cross-case comparative analysis, we will be seeking the answers to the following questions:

- to what extent do these institutions differ from each other in terms of :
 - The students' degree of satisfaction of standardisation-adaptation along the three dimensions (discrepancy between the status quo and preference)
 - The degree of the institutions' response to the students' preference (discrepancy between the lecturer's status quo and students' preference)
 - The degree of autonomy given to lecturers in those institutions (for making changes in teaching and research activities)
 - The degree of the host country's institutional pressure on these branch campuses for adaptation
- To what extent does the level of standardisation-adaptation vary among the branch campuses of the same TNHEI.
- To what extent have the branch campuses of different HEIs (from different countries) been pressurised by the local institutions of the same host country for adaptation.

These findings, in addition to some extra findings that may arise from the analysis, will be the primary and the preliminary outcomes. The analysis will be continued by moving backward up to the theoretical framework (holistic LIL), while this time armed with the data and the findings. Drawing on the logic of the framework and its theoretical construction, we will produce a theoretical explanation for the strategic evolution of the THEIs' branch campuses on the I-R spectrum on the three dimensions of curriculum, staffing and research. Accordingly, we will be able to answer the main research questions in regard with the conducted case studies. The ultimate findings will not be generalisable to all TNHEIs with offshore branch campuses, but they will approbate the external validity of the developed framework. The internal validity of the framework was approved earlier in the first phase. Henceforth, we will be able to provide some suggestions for practitioners and also suggest some ideas for the future development of this research. Therefore, the contributions of this research can be pinpointed as below:

- Introducing a strategic dichotomy to the field of TNHE and demonstrating that the major strategic issues, which have been encountered by TNHEIs to date, are revolving around this dichotomy. Hence, managing those issues is due to the strategic management of the identified ambidextrous spectrum.

- Bringing theories from the literature of international business and strategic management in relation to MNEs into the TNHE field, and providing theoretical explanations for the phenomena in that context.

- Magnifying the hybrid composition of the higher education institutions as service providers whose ultimate success (reaching a competitive edge) in a competitive market is due to the accomplishment of two constituents: institutional capital and resource capital.

- Providing a distinctive theoretical framework for MNEs in which, in addition to the economic performance, their competitive advantages are inherently relying upon non-economic factors (legitimacy in particular) to a considerably large extent.

- Exploring the current strategies, which are undertaken by some TNHEIs in order to respond to the simultaneous demands for integration and adaptation of their curriculum, staffing and research activities, along with their objectives for reaching a sustainable competitive edge.
- Providing the TNHEIs whose cases have been studied, with a number of practical and implementable suggestions, which are implied from conducting a theoretical analysis over their institutions.
- Suggesting a number of research questions/propositions based on the developed model and the implications of this research project, to be investigated and tested in the both fields of TNHE and MNE, in subsequent researches.

Two separate sets of online surveys were developed: one set for students and one for lecturers.

Branch campus survey- Lecturer set

Welcome Dear colleague, welcome to a survey on your academic experience at a local campus of a foreign university. This survey is part of a PhD project being conducted at the School of Management, University of Bath, United Kingdom. You will be asked about the current situation (as you are experiencing it) and also your preferences. Please bear in mind that we are interested in knowing your own perceptions, views and expectations, thus there is no general right or wrong answer to the questions. The right answer is what you think is true. Your answers will be treated confidentially and anonymously. Please take a few minutes to read the points on the next page as you navigate forward. It is important to be familiar with some terms before you start.

Notes This survey should normally take no more than 15 minutes to complete. However, you are able to save it at any stage and resume at any later time. If you close your Internet browser at any stage, your entries will be automatically saved. However, please note that you should reopen it only via the unique link provided to you by email (as you did for the first time). In the following questions, whenever you come across the term "offshore campus" this refers to the campus that you are currently working at, and "onshore campus" points at your university's campus(es), located in the home country of this institution. Please feel free to contact us should you face any technical problem, etc. You can reach us at: F.Shams@bath.ac.uk

Q1 Please answer the following questions about yourself

Your department	<input type="radio"/> School of Arts and Social Sciences	<input type="radio"/> School of Business	<input type="radio"/> School of Engineering
Your qualification	<input type="radio"/> Postgraduate	<input type="radio"/> Doctorate	<input type="radio"/> Post-Doctorate
Your country of original residence	<input type="radio"/> Malaysia	<input type="radio"/> Australia	<input type="radio"/> Other international

Q2 Click in the box provided against each question and type your answers. Please use numeric values for numbers (e.g. 0, 1, 2)

In what country (ies) have you done your studies?

How many years have you been working as an academic?

How many years have you been working at this institution? (including all the campuses)

Have you ever been working at any other campus of this university? (Yes/No)

Note *The following set of questions ask you about your understanding and perceptions of the current situation*

Q3 In general, to what extent do you think that your teaching materials (textbooks, slides, etc.) are similar to those provided to the students who are doing the same course on the onshore campus(es)?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q4 In general, to what extent do you think that the assignments, projects and tasks, which you provide to your students, are similar to those provided to the students who are doing the same course on the onshore campus(es)?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q5 In general, to what extent do you think that the levels of difficulty of your assessments are similar to that for the students on the onshore campus(es)?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q6 To what degree do you think that you have autonomy to change your teaching materials (textbook, slides, assignments, etc.)?

- ☐ Very high
- ☐ High
- ☐ Average
- ☐ Low
- ☐ Very low

Q7 How much does the university mandate that you integrate your subject curriculum, tasks and assignments with those of a similar course, which is taught on the onshore campus(es)?

- ☐ Very much
- ☐ much
- ☐ Somewhat
- ☐ Little
- ☐ Very little

Q8 To what extent do you share your own teaching materials and experiences with your colleagues who are teaching the same subject at the onshore campus (es)?

- ☐ Very much
- ☐ Much
- ☐ Somewhat
- ☐ Little
- ☐ Very little

Q9 To what extent do your colleagues from the onshore campus(es) share their course materials and experiences of teaching a subject with you?

- ☐ Very much
- ☐ Much
- ☐ Somewhat
- ☐ Less
- ☐ Very less

Q10 How much are you aware of the course materials that your colleagues at the onshore campus(es) use for the same subject as that you are teaching?

- ☐ Highly aware
- ☐ Aware
- ☐ Somewhat aware
- ☐ Lowly aware
- ☐ Very lowly aware

Q11 How much are your colleagues who are teaching the same subject at the onshore campus(es), aware of the course materials that you use?

- ☐ Highly aware
- ☐ Aware
- ☐ Somewhat aware
- ☐ Lowly aware
- ☐ Very lowly aware

Q12 Considering the staff diversity, to what extent do you feel that you are working in an Australian institution?

- ☐ Very high
- ☐ High
- ☐ Neutral
- ☐ Low
- ☐ Very low

Q13 Considering the staff diversity, to what extent do you feel that you are working in a Malaysian institution?

- ☐ Very high
- ☐ High
- ☐ Neutral
- ☐ Low
- ☐ Very low

Q14 Considering the staff diversity, to what extent do you feel that you are working in a multifarious international institution?

- ☐ Very high
- ☐ High
- ☐ Neutral
- ☐ Low
- ☐ Very low

Q15 Roughly, estimate which percentage of the whole number of lecturers in this campus belong to each category

_____ Local (from Malaysia)

_____ From Australia

_____ Other internationals

Q16 You sometimes may have some disagreements with your colleagues over the methods of teaching, marking and level of expectations from the students. To what extent do you agree that these disagreements are due to :

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
the differences between the norms and routines of this organisation and those that colleagues picked up in other organisations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
the diversity of cultural backgrounds of staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Differences in the understanding and perception of academic values	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q17 To what extent are your research topics directly relevant to this country (Malaysia)?

- ☐ Highly relevant
- ☐ Relevant
- ☐ Somewhat relevant
- ☐ Irrelevant
- ☐ Highly irrelevant
- ☐ I am not an active researcher

Q18 To what extent is your research addressing similar themes of research to your colleagues' at the onshore campus(es)?

- ☐ Very similar
- ☐ Similar
- ☐ Neutral
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea
- ☐ I am not an active researcher

Q19 To what extent does your institution encourage you to direct your research activities towards a local theme (something relevant to this country)?

- ☐ Strongly encourage
- ☐ Encourage
- ☐ Neutral
- ☐ Discourage
- ☐ Strongly discourage
- ☐ I am not an active researcher

Q20 To what extent do regional (local, national) opportunities encourage you to direct your research activities towards a local theme?

- ☐ Strongly encourage
- ☐ Encourage
- ☐ Neutral
- ☐ Discourage
- ☐ Strongly discourage
- ☐ I am not an active researcher

Note *The following set of questions will ask you about your preferences.*

Q21 To what extent do you prefer to use the same teaching materials (e.g. textbooks, case studies, slides, etc.) as those that your colleagues do on the onshore campus(es)?

- ☐ Strongly Prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly Avoid

Q22 To what extent do you prefer to give the same tasks/assignments/projects to your students as those that your colleagues do on the onshore campus(es)?

- ☐ Strongly Prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly Avoid

Q23 In general, how important is the integration and consistency of the course materials across campuses (offshore and onshore) to you?

- ☐ Very Important
- ☐ Important
- ☐ Neutral
- ☐ Unimportant
- ☐ Very unimportant

Q24 In general, how important is the localisation and contextualisation of the course materials in offshore and onshore campuses?

- ☐ Very Important
- ☐ Important
- ☐ Neutral
- ☐ Unimportant
- ☐ Very unimportant

Q25 If you give an assignment, which of the followings is/are related to the context of this country (Malaysia), that is because:

- ☐ The students can understand it better
- ☐ That is going to be more useful for the students in the future
- ☐ There are valuable lessons to learn from national practices
- ☐ You think that the course is designed to be taught in Australia, so it should be slightly changed to be relevant to these students
- ☐ You prefer to use local materials, because your students demand for it
- ☐ Other _____
- ☐ N/A

Q26 If you give an assignment in which the main focus is on the context of that field of study in Australia, that is because:

- ☐ You are more familiar with it
- ☐ You are teaching in an Australian University; hence, like to transfer the knowledge from the home country to the host country
- ☐ It is more useful for the students to become familiar with some international practices
- ☐ You want to keep consistency with the home campus, because your students demand for it
- ☐ Other _____
- ☐ N/A

Q27 To what extent do you prefer to work in a ...

	Strongly Prefer	Prefer	Indifferent	Avoid	Strongly Avoid
local environment (Malaysian)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
an Australian environment?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
a diverse international environment?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q28 To what extent do you prefer to focus your research activities on local issues?

- ☐ Strongly prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly avoid

Q29 To what extent do you prefer to focus your research activities on general (international) themes?

- ☐ Strongly prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly avoid

Q30 To what extent do you agree that the local employers are more inclined to recruit the graduates of this university than the graduates of the local universities?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ No idea

Q31 To what extent do you agree that the local employers are more inclined to recruit the graduates of the local universities than the graduates of this university?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ No idea

Q32 To what extent do you agree that in this country, the graduates of an Australian university are more employable than the graduates of a local university?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ No idea

Q33 Before finishing the survey, should you have any additional information or extra explanation, please share them with us in the box provided below. If not, please proceed to the next page and submit your answers.

Branch campus survey - Student set

Welcome Dear student, welcome to this survey on your experience of studying at a local campus of a foreign university. You will be asked about your current situation (as you are experiencing it) and also your preferences. Please bear in mind that we are interested in knowing your own perceptions, views and expectations, thus there is no general right or wrong answer to the questions. The right answer is what you think is true. Your answers will be treated anonymously and confidentially. Please take few minutes to read the points, which are mentioned on the next page as you navigate forward. It is important to be familiar with some terms before you start.

Notes This survey should normally take no more than 15 minutes to complete. However, you are able to save it at any stage and resume at any later time. In the following questions, wherever you come across the term "offshore campus" that is referring to the campus that you are currently studying at, and "onshore campus" points at your university's campus(es), which is (are) located in the home country of this institution (Australia). Please feel free to contact us should you face any technical problem, etc. You can reach us at: F.Shams@bath.ac.uk. Upon completion of this survey, you will be automatically nominated for a prize draw. If you win you will receive an Amazon voucher, which gives you the ability to purchase up to 20 British pounds from the Amazon website.

Q1 Please answer the following questions about yourself

Department	<input type="radio"/> School of Art and Social Science	<input type="radio"/> School of Business	<input type="radio"/> School of Engineering
Level of study	<input type="radio"/> Undergraduate	<input type="radio"/> Master	<input type="radio"/> Doctorate
Country of permanent residence	<input type="radio"/> Malaysia	<input type="radio"/> Australia	<input type="radio"/> Other international
Year of study	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3 or more

Q2 Please click on the continent, which you are from on the map

	Off	On
South America		
Europe		
Africa		
Asia		
Australia		
North America		

[Map of the world redacted for copyright reasons]

Note The following set of questions ask you about your understanding and perceptions of the current situation

Q3 In general, how similar do you think that your teaching materials (e.g. text books) are to those of the students on the onshore campus?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q4 In general, how similar do you think that your tasks/assignments/home works/projects are to those of the students on the onshore campus?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q5 In general, how similar do you think that the difficulty level of your exams is to that for the students in the onshore campus?

- ☐ Very similar
- ☐ Similar
- ☐ Somewhat similar/dissimilar
- ☐ Dissimilar
- ☐ Very dissimilar
- ☐ No idea

Q6 To what extent do you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
In general, the number of local lecturers (Malaysian) at this campus is greater than the number of other lecturers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In general, the number of Australian lecturers at this campus is greater than the number of other lecturers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In general, the number	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

of International (neither local nor Australian) lecturers at this campus is greater than the number of other lecturers					
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Q7 Roughly, estimate which percentage of the total number of lecturers on this campus belongs to each category

_____ Local (from Malaysia)
 _____ From the Australia
 _____ Other internationals

Note *The following set of questions will ask you about your preferences.*

Q8 To what extent do you prefer to use the same teaching materials as the students at the onshore campus do?

- ☐ Strongly Prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly Avoid

Q9 To what extent do you prefer to work on similar assignments and projects as the students at the onshore campus do?

- ☐ Strongly Prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly Avoid

Q10 To what extent do you prefer that the level of difficulty of your assessments (e.g. exams) is similar to that for the students at the onshore campus?

- ☐ Strongly Prefer
- ☐ Prefer
- ☐ Indifferent
- ☐ Avoid
- ☐ Strongly Avoid

Q11 If you prefer to work on an assignment or case study, which is relevant to this country (Malaysia), that is because:

- ☐ you can understand it better
- ☐ That is going to be more useful for you in the future
- ☐ There are valuable lessons to learn from national practices
- ☐ The course is designed to be taught in Australia, so it should be slightly changed to be relevant to you
- ☐ Other _____
- ☐ Not applicable

Q12 If you prefer to work on a case study or a project as an assignment that is relevant to this university's home country (Australia), that is because:

- ☐ you are more familiar with it
- ☐ you are studying at an Australian University; hence, like to learn more about their practices
- ☐ you want to expand your international knowledge
- ☐ you want to work on the same materials as the students on the home campus do
- ☐ Other _____
- ☐ N/A

Q13 To what extent do you prefer to be taught by...

	Strongly Prefer	Prefer	Indifferent	Avoid	Strongly Avoid
local lecturers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lecturers from the onshore campus	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
other international lecturers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q14 If you prefer to be taught by local lecturers, that is because:

- ☐ you feel more comfortable with them
- ☐ It is easier to understand their accents
- ☐ They are nationally/ internationally more reputable
- ☐ They are more familiar with the context of this country
- ☐ Other _____
- ☐ N/A

Q15 If you prefer to be taught by international lecturers, that is because:

- ☐ You feel more comfortable with them
- ☐ It is easier to understand their accents
- ☐ They are nationally/ internationally more reputable
- ☐ You are studying in an Australian university. Therefore, you expect to have non-local lecturers
- ☐ Other _____
- ☐ N/A

Q16 In general, you feel that you are studying at ...

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
an Australian University	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
a Malaysian University	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
a diverse international University	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q17 After graduation, you would like to be recognised as a(n) ...

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Australian graduate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Malaysian graduate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
international graduate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q18 To what extent do you agree that the local employers are more inclined to recruit the graduates of this university than the graduates of a local (Malaysian) university?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree

Q19 To what extent do you agree that the local employers are more inclined to recruit the graduates of a local (Malaysian) university than the graduates of this university?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree

Q20 To what extent do you agree that in this country, the graduates of an Australian university are in a better position than the graduates of a local (Malaysian) university?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree

Q21 To what extent do you agree that in this country, the graduates of a local (Malaysian) university are in a better position than the graduates of a foreign university?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree

Q22 If you have any additional information or extra explanation, please share this with us in the box below. If not, please proceed to the next page and submit your answers to be nominated for the prize draw.

Q23 Do you mind if we (possibly) contact you in the future for follow-up questions?

- ☐ Yes
- ☐ No